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***Kaga Electronics Co., Ltd.  
and Consolidated Subsidiaries***

*Consolidated Financial Statements for the  
Year Ended March 31, 2022  
and Independent Auditor's Report*



## **Independent Auditor's Report**

To the Board of Directors of Kaga Electronics Co., Ltd.

### **Opinion**

We have audited the consolidated financial statements of Kaga Electronics Co., Ltd. and its subsidiaries (the "Group" or the "Company"), which comprise the consolidated statement of financial position as of March 31, 2022, and the consolidated statement of income and comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of 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 of 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories related to transactions with EuroTec Japan, Inc. and estimation of allowance for doubtful accounts (Notes to consolidated financial statements, 2.r. Significant Accounting Estimates) (Notes to consolidated financial statements, 4. Consolidated statement of income and comprehensive income)	
Key audit matter description	How our audit addressed the key audit matter
<p>As of March 31, 2022, the Company recorded inventory transactions with EuroTec Japan, Inc. (“EuroTec”) related to the rotorcraft business of 2,243 million yen (0.8% of total consolidated assets) and loss on valuation of inventory of 1,809 million yen on the consolidated balance sheet. The Company has also recorded allowance for doubtful accounts of 1,868 million yen against the outstanding receivables balance of 2,256 million yen (0.8% of total consolidated assets) related to EuroTec.</p> <p>The Company writes down the carrying value of inventory when the net realizable value is less than its cost. EuroTec is undergoing legal proceedings under the Civil Rehabilitation Act, and sales orders previously placed by a customer were cancelled. The Company’s inventories for which the sales orders were cancelled were evaluated at net realizable value based on appraised value that the appraiser calculates under the market approach. For inventories without any cancellation, net realizable value is calculated based on the amount as stated in contracts and the future cash flows of Euro Tec.</p> <p>The Company recorded the estimated uncollectible amount for EuroTec as allowance for doubtful accounts using the financial condition evaluation method.</p> <p>The Company determined the net realizable value of inventories and the estimated amount of bad debt by taking into consideration the future demand forecast for rotorcraft, market trends, EuroTec’s proposed business plan, and future cash flow projections. These estimates are subject to a high degree of uncertainty, and may be subject to significant management judgment. Therefore, we determined that the matter is a key audit matter.</p>	<p>In order to evaluate the valuation of inventory for transactions from EuroTec and the estimated allowance for doubtful accounts related to receivables due from EuroTec, we performed the following principal audit procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding, evaluated the design and implementation and tested the operating effectiveness of internal controls related to the valuation of inventory for rotorcrafts and the estimated allowance for doubtful accounts.</li> <li>• In order to evaluate the net selling price of rotorcrafts and the estimated amount of expected uncollectible receivables, we performed the following principal audit procedures: <ul style="list-style-type: none"> <li>- We evaluated the competency of external appraisers used by management.</li> <li>- We reviewed the appraisal reports used by management to value the cancelled inventory transactions, and assessed the inputs to appraisal value, the valuation method used, and the process of its determination.</li> <li>- We compared the estimate of future demand and market trends for the rotorcrafts to the market distribution, price trend of the pre-owned market using used-aircraft market price data including rotorcrafts, and sales in the pre-owned aircraft market.</li> <li>- We inquired of the sales and corporate planning departments regarding the delivery plan of the specific rotorcrafts for EuroTec and confirmed that the plan was reported to the Board of Directors.</li> <li>- To evaluate the calculation of the net selling price of inventory and the estimated uncollectible receivables, we compared the estimated selling price of the specific rotorcrafts for end customers, which will be used for debt payment, to the available information, including the EuroTec’s business plan and the prospective cash flows.</li> </ul> </li> </ul>

Valuation of unlisted securities shares including venture capital investments (Notes to consolidated financial statements, 2.r Significant Accounting Estimates)	
Key audit matter description	How our audit addressed the key audit matter
<p>The Group invests in newly formed companies in growth markets such as electronic devices for vehicles, environmentally friendly technology solutions, communications and new markets such as medical/healthcare to generate innovation.</p> <p>As of March 31, 2022, the Group has recorded investment securities including unlisted securities of 1,179 million yen (0.4% of total consolidated assets) on the consolidated balance sheet, and a loss on valuation of investment securities of 260 million yen (1.2% of income before income tax) on the consolidated statements of income and comprehensive income.</p> <p>With respect to unlisted securities, investments in venture companies may be acquired at a higher price than the net asset value, reflecting the future economic benefits arising from the investee's operations. The recent performance of the investee is compared to the medium-to-long term business plan obtained at the time of acquisition. If the projected future economic benefits have significantly declined and are no longer expected to be realized, a valuation loss is recorded. The Company and its consolidated subsidiaries recognize valuation losses only when the actual value of the assets has declined significantly.</p> <p>The assumptions used in the assessment of investment securities include unlisted securities shares that involve management's judgment and because of the high degree of estimation uncertainty and the quantitative significance of the investment securities balance, judgment is required for the evaluation. Therefore, we determined that this matter is a key audit matter.</p>	<p>In order to evaluate the investment securities including unlisted securities, we performed the following principal audit procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding, evaluated the design and implementation and tested the operating effectiveness of internal controls related to the process of the valuation of investments in venture companies including the valuation loss of the excess earning capacity.</li> <li>• We inquired of officers and management of the Company regarding the assessment process of investments in venture companies at the time of acquisition and the most recent financial status and operating results. We inspected the results of the analysis conducted by the Company on future business environment forecasts and other factors. In addition, we inquired about the impact on the valuation of securities due to estimates of the excess earning capacity of investee companies.</li> <li>• In terms of stocks whose net asset value was significantly lower than the acquisition cost, determined based on the most recent financial information, we compared the preliminary business plan and actual results, and determined whether it was temporary that the actual amount was less than the preliminary business plan. In addition, we verified whether the net asset value, reflecting the excess earning capacity, has substantially decreased.</li> <li>• We obtained the assessment prepared by management and considered whether the Company should recognize any impairment. In addition, we compared the forecasted financial projections developed by the investees' management to the valuation of the investments.</li> <li>• We inspected the evidence related to the value at the acquisition to verify the accuracy of the acquisition cost.</li> </ul>



## **Other Information**

The other information comprises the information included in a document containing audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. We have determined that there is no other information and thus have not performed any work on other information.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's



report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, 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 those charged with governance, 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.

### **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 1 to the consolidated financial statements.



**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.

Kensuke Koda  
Designated Engagement Partner  
Certified Public Accountant

Masaki Nitta  
Designated Engagement Partner  
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC  
September 9, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original report is kept separately by the Company.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheet

At March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2021	2022	2022
<b>CURRENT ASSETS:</b>			
Cash and bank deposits	¥ 45,636	¥ 41,051	\$ 355,415
Notes and accounts receivable - trade	103,773	-	-
Notes receivable - trade	-	1,449	11,843
Electronically recorded monetary claims	4,621	9,258	75,643
Accounts receivable - trade	-	110,240	900,735
Short-term investment securities	302	264	2,159
Merchandise and finished goods	29,727	46,230	377,734
Work in process	1,280	2,363	19,308
Raw materials and supplies	6,940	14,013	114,496
Others	9,921	9,388	76,712
Allowance for doubtful accounts	(2,024)	(275)	(2,252)
Total CURRENT ASSETS	200,179	233,984	1,911,797
<b>NONCURRENT ASSETS:</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings and structures	14,327	15,033	122,835
Accumulated depreciation	(7,305)	(8,108)	(66,250)
Buildings and structures, net	7,021	6,925	56,584
Machinery, equipment and vehicles	11,496	14,181	115,868
Accumulated depreciation	(6,853)	(8,132)	(66,445)
Machinery, equipment and vehicles, net	4,642	6,048	49,423
Tools, furniture and fixtures	5,632	5,697	46,553
Accumulated depreciation	(4,254)	(4,667)	(38,133)
Tools, furniture and fixtures, net	1,378	1,030	8,420
Land	5,074	5,074	41,462
Construction in progress	107	313	2,563
Total PROPERTY, PLANT AND EQUIPMENT	18,225	19,393	158,454
<b>INTANGIBLE ASSETS</b>			
Goodwill	209	98	807
Software	2,338	3,021	24,686
Others	62	42	349
Total INTANGIBLE ASSETS	2,609	3,163	25,843
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities ※1	10,771	10,313	84,268
Deferred tax assets	2,252	2,189	17,890
Guarantee deposits	931	1,068	8,732
Insurance funds	910	915	7,478
Others	1,629	3,466	28,325
Allowance for doubtful accounts	(504)	(2,355)	(19,244)
Total INVESTMENTS AND OTHER ASSETS	15,990	15,598	127,450



Total NONCURRENT ASSETS	36,825	38,155	311,749
Total ASSETS	¥ 237,004	¥ 272,139	\$ 2,223,547

## Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

### Consolidated Balance Sheet At March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>
CURRENT LIABILITIES:			
Notes and accounts payable - trade	¥ 79,854	¥ 86,493	\$ 706,707
Short-term loans payable	10,800	23,858	194,939
Accrued expenses	5,957	7,138	58,324
Income taxes payable	2,136	2,834	23,162
Provision for directors' bonuses	126	301	2,464
Others ※2	9,642	12,291	100,425
Total CURRENT LIABILITIES	108,517	132,918	1,086,023
NONCURRENT LIABILITIES:			
Long-term loans payable	25,166	25,136	205,382
Deferred tax liabilities	1,685	2,046	16,722
Provision for directors' retirement benefits	106	123	1,006
Net defined benefit liabilities	2,272	2,095	17,117
Asset retirement obligations	343	572	4,678
Others	3,850	3,446	28,164
Total NONCURRENT LIABILITIES	33,424	33,421	273,071
Total LIABILITIES	141,942	166,339	1,359,094
<u>NET ASSETS:</u>			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	99,138
Capital surplus	14,327	14,818	121,072
Retained earnings	64,568	77,423	632,597
Treasury stock	(1,984)	(5,643)	(46,107)
Total SHAREHOLDERS' EQUITY	89,045	98,732	806,700
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	1,378	1,299	10,618
Deferred gains or losses on hedges	50	(2)	(20)
Foreign currency translation adjustment	470	5,439	44,447
Remeasurements of defined benefit obligations	21	210	1,723
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	1,921	6,948	56,769
Non-controlling interests	4,095	120	981
Total NET ASSETS	95,062	105,800	864,452
Total LIABILITIES AND NET ASSETS	¥ 237,004	¥ 272,139	\$ 2,223,547

The accompanying notes are an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2022	2022
Net sales ※1	¥ 422,365	¥ 495,827	\$ 4,051,210
Cost of sales ※2, 4	374,428	435,280	3,556,500
Gross profit	47,936	60,547	494,710
Selling, general and administrative expenses ※3, 4	36,469	39,632	323,817
Operating income	11,467	20,915	170,893
NON-OPERATING INCOME			
Interest income	135	135	1,105
Dividend income	197	195	1,594
Commission fee	168	183	1,502
Foreign exchange gains	-	252	2,063
House rent income	116	104	851
Others	539	572	4,678
Total NON-OPERATING INCOME	1,158	1,443	11,795
NON-OPERATING EXPENSES			
Interest expenses	317	315	2,580
Share of loss of entities accounted for using equity method	627	472	3,864
Foreign exchange losses	359	-	-
Others	80	114	932
Total NON-OPERATING EXPENSES	1,384	902	7,377
Ordinary income	11,241	21,456	175,311
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※5	2	15	123
Gain on sales of investment securities	128	363	2,967
Gain on bargain purchase	7,963	-	-
Gain on transfer of business	7	7	57
Gain on reversal of estimated loss of funds from U.S. subsidiary	-	176	1,443
Others	20	34	285
Total EXTRAORDINARY INCOME	8,122	596	4,877
EXTRAORDINARY LOSS			
Impairment loss ※7	1,893	93	761
Loss on disposal of property, plant and equipment ※6	101	13	113
Loss on sales of investment securities	36	2	20
Loss on valuation of investment securities	525	260	2,130
Loss on liquidation of subsidiaries and associates	-	175	1,430
Special retirement expenses	24	-	-
Provision of allowance for doubtful accounts	1,750	129	1,060
Estimated loss of funds from U.S. subsidiary	480	-	-
Others	78	29	244
Total EXTRAORDINARY LOSS	¥ 4,892	¥ 705	\$ 5,761

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Income before income taxes	¥ 14,472	¥ 21,348	\$ 174,427
Income taxes - current	3,207	5,071	41,438
Income taxes - deferred	(51)	606	4,956
Total income taxes	<u>3,156</u>	<u>5,678</u>	<u>46,395</u>
Net income	11,315	15,669	128,031
Profit attributable to owners of the parent	11,399	15,401	125,841
Profit attributable to non-controlling interests	(84)	268	2,190
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	1,376	(78)	(640)
Deferred gains or losses on hedges	22	(52)	(432)
Foreign currency translation adjustment	1,218	4,922	40,220
Remeasurements of defined benefit obligations, net of tax	138	188	1,541
Share of other comprehensive income of entities accounted for using equity method	42	95	780
Total OTHER COMPREHENSIVE INCOME ※5	<u>2,799</u>	<u>5,075</u>	<u>41,470</u>
Comprehensive income	¥ 14,114	¥ 20,745	\$ 169,502
Comprehensive income attributable to:			
Owners of the parent	¥ 14,101	¥ 20,428	\$ 166,912
Non-controlling interests	13	316	2,589

The accompanying notes are an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2022

Fiscal year ended March 31, 2021

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥ 12,133	¥ 13,878	¥ 55,091	¥ (2,005)	¥ 79,097
Changes of items during period					
Dividends from surplus			(1,922)		(1,922)
Profit attributable to owners of the parent			11,399		11,399
Purchase of treasury stock				(1)	(1)
Disposal of treasury shares		8		22	31
Change in ownership interest of parent due to transactions with non-controlling interests		441			441
Net changes of items other than shareholders' equity					
Total changes of items during period	—	449	9,477	21	9,948
Total	¥ 12,133	¥ 14,327	¥ 64,568	¥ (1,984)	¥ 89,045

	Millions of Yen						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 0	¥ 28	¥ (707)	¥ (133)	¥ (812)	¥ 7,965	¥ 86,250
Changes of items during period							
Dividends from surplus							(1,922)
Profit attributable to owners of the parent							11,399
Purchase of treasury stock							(1)
Disposal of treasury shares							31
Change in ownership interest of parent due to transactions with non-controlling interests							441
Net changes of items other than shareholders' equity	1,378	22	1,178	154	2,733	(3,869)	(1,135)
Total changes of items during period	1,378	22	1,178	154	2,733	(3,869)	8,812
Total	¥ 1,378	¥ 50	¥ 470	¥ 21	¥ 1,921	¥ 4,095	¥ 95,062

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2022

Fiscal year ended March 31, 2022

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	¥ 12,133	¥ 14,327	¥ 64,568	¥ (1,984)	¥ 89,045
Cumulative effects of changes in accounting policies			7		7
Restated balance	12,133	14,327	64,576	(1,984)	89,053
Changes of items during period					
Dividends from surplus			(2,554)		(2,554)
Profit attributable to owners of the parent			15,401		15,401
Purchase of treasury stock				(3,681)	(3,681)
Disposal of treasury shares		8		22	30
Change in ownership interest of parent due to transactions with non-controlling interests		481			481
Net changes of items other than shareholders' equity					
Total changes of items during period	—	490	12,847	(3,658)	9,678
Total	¥ 12,133	¥ 14,818	¥ 77,423	¥ (5,643)	¥ 98,732

	Millions of Yen						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 1,378	¥ 50	¥ 470	¥ 21	¥ 1,921	¥ 4,095	¥ 95,062
Cumulative effects of changes in accounting policies						1	8
Restated balance	1,378	50	470	21	1,921	4,096	95,071
Changes of items during period							
Dividends from surplus							(2,554)
Profit attributable to owners of the parent							15,401
Purchase of treasury stock							(3,681)
Disposal of treasury shares							30
Change in ownership interest of parent due to transactions with non-controlling interests							481
Net changes of items other than shareholders' equity	(79)	(53)	4,969	189	5,026	(3,976)	1,050
Total changes of items during period	(79)	(53)	4,969	189	5,026	(3,976)	10,728
Total	¥ 1,299	¥ (2)	¥ 5,439	¥ 210	¥ 6,948	¥ 120	¥ 105,800

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2022

Fiscal year ended March 31, 2022

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$ 99,138	\$ 117,066	\$ 527,565	\$ (16,213)	\$ 727,557
Cumulative effects of changes in accounting policies			61		61
Restated balance	99,138	117,066	527,627	(16,213)	727,618
Changes of items during period					
Dividends from surplus			(20,872)		(20,872)
Profit attributable to owners of the parent			125,841		125,841
Purchase of treasury stock				(30,076)	(30,076)
Disposal of treasury shares		71		182	253
Change in ownership interest of parent due to transactions with non-controlling interests		3,934			3,934
Net changes of items other than shareholders' equity					
Total changes of items during period	—	4,005	104,970	(29,894)	79,081
Total	\$ 99,138	\$ 121,072	\$ 632,597	\$ (46,107)	\$ 806,700

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ 11,265	\$ 413	\$ 3,846	\$ 172	\$ 15,698	\$ 33,461	\$ 776,712
Cumulative effects of changes in accounting policies						10	72
Restated balance	11,265	413	3,846	172	15,698	33,472	776,790
Changes of items during period							
Dividends from surplus							(20,872)
Profit attributable to owners of the parent							125,841
Purchase of treasury stock							(30,076)
Disposal of treasury shares							253
Change in ownership interest of parent due to transactions with non-controlling interests							3,934
Net changes of items other than shareholders' equity	(647)	(433)	40,601	1,550	41,071	(32,490)	8,580
Total changes of items during period	(647)	(433)	40,601	1,550	41,071	(32,490)	87,662
Total	\$ 10,618	\$ (20)	\$ 44,447	\$ 1,723	\$ 56,769	\$ 981	\$ 864,452

The accompanying notes are an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows For the Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2022	2022
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 14,472	¥ 21,348	\$ 174,427
Depreciation and amortization	3,167	3,738	30,547
Impairment loss	1,893	93	761
Amortization of goodwill	114	110	901
(Decrease) Increase in net defined benefit liability	(5)	16	134
(Decrease) Increase in provision for directors' retirement benefits	11	16	137
(Decrease) Increase in provision for directors' bonuses	25	175	1,432
Increase in allowance for doubtful accounts	1,607	92	756
Interest and dividend income	(413)	(403)	(3,299)
Interest expenses	317	315	2,580
Share of profit of entities accounted for using equity method	627	472	3,864
Gain on sales of property, plant and equipment	(0)	(14)	(117)
Loss on retirement of property, plant and equipment	101	13	113
Gain on sales of investment securities	(92)	(360)	(2,946)
Loss on valuation of investment securities	525	260	2,130
Gain on negative goodwill	(7,963)	-	-
Gain on reversal of estimated loss of funds from U.S. subsidiary	-	(187)	(1,534)
Estimated loss of funds from U.S. subsidiary	480	-	-
(Increase) Decrease in notes and accounts receivable-trade	(4,303)	(7,889)	(64,462)
(Increase) Decrease in inventories	2,997	(22,088)	(180,479)
Decrease in notes and accounts payable-trade	1,495	2,451	20,033
Increase in accounts receivable-other	842	583	4,769
Increase in accrued expenses	(162)	887	7,254
Decrease (Increase) in advance payments	(349)	1,349	11,023
(Increase) Decrease in consumption taxes refund receivable	(164)	(822)	(6,720)
(Increase) Decrease in other current assets	(397)	(264)	(2,161)
Increase in other current liabilities	(1,206)	2,030	16,592
Others, net	130	797	6,515
Subtotal	13,754	2,723	22,252
Interest and dividend income received	342	124	1,019
Interest expenses paid	(322)	(315)	(2,578)
Income taxes paid	(3,295)	(4,263)	(34,834)
Estimated loss of funds from U.S. subsidiary	(480)	-	-
Others, net	-	175	1,435
Net cash provided by (used in) operating activities	¥ 9,999	¥ (1,554)	\$ (12,705)

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows For the Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2022	2022
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
Payments for time deposits	¥ (905)	¥ (856)	\$ (6,999)
Proceeds from withdrawal of time deposits	753	474	3,873
Purchase of property, plant and equipment	(2,514)	(3,276)	(26,774)
Proceeds from sales of property, plant and equipment	28	32	265
Purchase of intangible assets	(1,059)	(1,377)	(11,253)
Purchase of investment securities	(1,688)	(1,085)	(8,865)
Proceeds from sales of investment securities	723	834	6,814
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(351)	-	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2,707	-	-
Payments of short-term loans receivable	-	(388)	(3,175)
Collection of short-term loans receivable	0	-	-
Payments of long-term loans receivable	(166)	(1,180)	(9,642)
Purchase of insurance funds	(11)	(4)	(36)
Proceeds from cancellation of insurance funds	58	-	-
Payments for guarantee deposits	(77)	(28)	(234)
Proceeds from collection of guarantee deposits	63	65	531
Other payments	(100)	(174)	(1,425)
Other proceeds	87	194	1,590
Net cash used in investing activities	(2,453)	(6,772)	(55,332)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>			
Increase in short-term loans payable	(4,608)	7,636	62,393
Proceeds from long-term loans payable	5,000	5,000	40,853
Repayment of long-term loans payable	(1,279)	(668)	(5,463)
Purchase of treasury stock	(1)	(3,681)	(30,076)
Cash dividends paid	(1,922)	(2,551)	(20,850)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,441)	(3,811)	(31,145)
Others, net	(597)	(767)	(6,269)
Net cash (used in) provided by financing activities	(6,851)	1,155	9,440
Effect of exchange rate change on cash and cash equivalents	945	2,079	16,989
Net increase in cash and cash equivalents	1,639	(5,092)	(41,608)
Cash and cash equivalents-beginning balance	42,693	44,333	362,228
Cash and cash equivalents-ending balance ※1	¥ 44,333	¥ 39,240	\$ 320,620

The accompanying note is an integral part of these financial statements.



# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements For the Year Ended March 31, 2022

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kaga Electronics Co., Ltd. (the "Company") is incorporated and operates. Amounts less than ¥1 million have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.39 to \$1, the rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *a. Consolidation*

The consolidated financial statements include accounts of the Company and all of its subsidiaries (61 in 2021 and 58 in 2022) (together, the "Group").

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

There are four equity method affiliates. For those companies accounted for under the equity method whose fiscal year end date differs from the consolidated fiscal year end date, the financial statements of those companies for their respective fiscal years are used.

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

The fiscal year end date of some of the Company's consolidated subsidiaries (21 in 2021 and 19 in 2022) is December 31. The consolidated financial statements incorporate accounts of these companies with adjustments for significant intercompany transactions arising during the period from January 1 to March 31.

#### *b. Cash Equivalents*

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.

#### *c. Inventories*

The Company and its domestic subsidiaries state specific merchandise inventories ordered by customers at the lower of cost, determined by the specific identification method, or market value and that other merchandise inventories at the lower of cost, determined principally by the moving-average method, or market value.

**d. Marketable and Investment Securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are measured at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported as a component of other comprehensive income.

Non-marketable available-for-sale securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by charging to income.

**e. Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to the consolidated statement of income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, facilities attached to buildings and structures acquired after April 1, 2016, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	2 to 12 years
Tools, furniture and fixtures	2 to 20 years

**f. Goodwill**

Goodwill is amortized using the straight-line method principally over a period of 5 years.

**g. Software**

Software is amortized using the straight-line method over its estimated useful life.

Internal use software	5 years
Software for sale	3 years

**h. Retirement and Pension Plans**

To prepare for disbursement of employees' retirement benefits under the defined benefit plan, a defined benefit liability, which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year, is recognized. The retirement benefit obligations are calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on the benefit formula basis. Past service cost is primarily amortized on a straight-line method over a fixed number of years (10 years), which is shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is primarily amortized from the following year on a straight-line method over a fixed number of years (principally 10 years), which is shorter than the average remaining years of service of the eligible employees. Actuarial gain and loss and past service costs that are yet to be recognized as gains or losses are recorded as remeasurements of defined benefit obligations presented in other comprehensive income, after being adjusted for tax effects.

Some of the consolidated subsidiaries apply the simplified method of using the amount of retirement benefit which would be required to be paid for voluntary retirement at the end of the fiscal year as retirement benefit obligation in order to calculate the retirement benefit liability and retirement benefit expenses.

**i. Leases**

The Company applies the lease accounting standard, which requires all finance lease transactions to be capitalized in the balance sheet.

**j. Allowance for doubtful accounts**

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount

based on the historical bad debt ratio during a certain reference period in addition to an estimated uncollectible amount based on the analysis of certain individual accounts.

**k. Provision for directors' bonuses**

Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

**l. Provision for directors' retirement benefits**

The Company accrues liabilities related to retirement benefit obligations for directors and corporate auditors, which is, in general, based upon the amounts required by the internal rules.

**m. Translation of Foreign Currencies**

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, and differences arising from the translation are debited or credited to the consolidated statement of income.

Assets and liabilities of the foreign subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments after being adjusted for non-controlling interests and tax effects.

**n. Derivatives and Hedging Activities**

(1) Hedge accounting method

The Company applies the deferred hedge method. The Company, however, adopts the allocation method to account for forward exchange contracts if the requirements for the allocation method are met. The Company also adopts the special method to account for interest rate swaps, which meet the requirements for specific matching criteria.

(2) Hedging instruments and hedged items

(Hedging instruments)

Foreign currency forward contract transactions

Non-Deliverable Forward ("NDF") transactions

Interest rate swaps

(Hedged items)

Assets and liabilities denominated in foreign currencies

Interest rates on long-term loans payable

(3) Hedging policy

The Company determines the hedging policy based on the internal rules. Foreign currency forward contracts where there is expected risk such as fluctuation in foreign exchange are used interest rate swaps where there is expected risk such as fluctuation in interest rates on long-term loans payable are used.

(4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the changing ratio of cash flows arising from the hedged items to the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. In addition, regarding interest rate swaps, the Company omits assessment of hedge effectiveness based upon the fulfillment of the requirements for specific matching criteria.

**o. Application of Consolidated Taxation System**

The Company has adopted the consolidated taxation system.

**p. Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System**

The Company and some of its domestic subsidiaries will transition from the Consolidated Taxation Regime to the Group Tax Sharing System from the next fiscal year. However, as for the items subject to review in conjunction with the transition to the Group Tax Sharing System and the transition to the Group Tax

Sharing System established in the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the provisions in paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) were not applied, and therefore the amount of deferred tax assets and deferred tax liabilities were treated in accordance with the provisions of the tax law before the revision in accordance with paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020). From the beginning of next fiscal year, accounting treatment and disclosure of corporation tax, local corporation tax and deferred tax accounting are conducted pursuant to "the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PTIF No.42, August 12, 2021).

**q. Recognition of significant revenue and expense**

The Group consists of four segments, Electronic Components, Information Equipment, Software and other. The Company and its subsidiaries recognize their revenue when goods are transferred to customers since the ownership of the good, significant risks and economic values of goods are transferred when goods are transferred, and performance obligations are satisfied. For the sales of some goods, revenue is recognized when the goods are shipped. For those sales of goods for which the Company or its subsidiaries are qualified as an agent, the net amount deducting cost from revenue is recognized as revenue. For contracts with some customers in Information Equipment segment, which include rebates and other variable consideration, revenue is recognized in the amount of the consideration promised with customers, net of rebates and other variable consideration. The estimation of rebates is based on past transactions. The consideration of transactions is received within one year after satisfaction of performance obligations and any significant financing components are not included.

**r. Significant Accounting Estimates**

1. Valuation of inventories related to transactions with EuroTec Japan, Inc. and estimation of allowance for doubtful accounts

- (1) Amount recorded in the consolidated financial statements for the fiscal years ended

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Inventories	¥ 1	¥ 2,243	\$ 18,332
Loss on valuation of inventories	-	1,809	14,783
Total receivables	4,307	2,256	18,440
Allowance for doubtful accounts	1,750	1,868	15,264
Provision for allowance for doubtful accounts	1,750	117	962

- (2) Information on the nature of significant accounting estimates for identified items

In previous fiscal year, the Company recorded allowance for doubtful accounts for receivable from Euro Tec Japan, Inc ("EuroTec") since receivables for them appeared uncollectible. In this fiscal year, Euro Tec files for the initiation of civil rehabilitation proceedings. In consideration of the circumstances, the Company recorded the following accounting estimates for not only receivables from Euro Tec but inventories related to transactions with Euro Tec.

(a) It is necessary to evaluate inventories carefully since that is related to the rotorcraft business and the number of market participants is limited. EuroTec is undergoing legal proceedings under the Civil Rehabilitation Act, and sales orders previously placed by a customer were cancelled. The Company's inventories for which the sales orders were cancelled were evaluated at net realized value based on future demand estimates or appraised value that the appraiser calculates under the market approach. For inventories without any cancellation, net realizable value is calculated based on the amount as stated in contracts and future cash flows of Euro Tec.

(b) For receivables, the estimated uncollectible amount is recorded as allowance for doubtful accounts, using cash flow estimation method in previous fiscal year, and using the financial condition evaluation method in this fiscal year. The estimated uncollectible amount is estimated under consideration of their business plan and prospect of their cash flow.

For net realizable value and estimated uncollectible amount, additional loss may occur in the next fiscal year or after based on rotorcraft business trend, EuroTec's business plan or their cash flow.

2. Valuation of unlisted securities shares, including venture capital investments

(1) Amount recorded in the consolidated financial statements for this fiscal year

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Investment securities	¥ 1,367	¥ 1,179	\$ 9,637
Loss on valuation of investment securities	525	260	2,130

(2) Information on the nature of significant accounting estimates for identified items

With respect to unlisted securities, the Company calculates the actual value based on the net asset value per share, based on the latest financial statements available from the investees, and records a valuation loss when the real value has declined significantly. In particular, investments in venture companies may be acquired at a higher price than the net asset value, reflecting future economic benefits arising from the investee's operations. The recent performance of the investee is compared to the medium-to-long term business plan obtained at the time of acquisition. If the projected future economic benefits have significantly declined and are no longer expected to be realized, a valuation loss is recorded. In the event that the actual value considering the reduction in projected future economic benefits needs to be reviewed due to uncertain future changes in the corporate environment, etc., additional losses may be incurred in the subsequent consolidated fiscal year.

**s. Changes in accounting policies**

(Application of the Accounting Standard for Revenue Recognition)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) effective from the beginning of the consolidated fiscal year ended on March 31, 2022, and it recognizes revenue as the amount expected to be received in exchange for goods or services when control over the promised goods or services transfers to the customer.

As a result, in the case of a performance obligation in which the promise with the customer involves the supply of goods or services provided by another party, the net amount received as the agent is recognized as revenue.

The adoption of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment provided in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the consolidated fiscal year ended March 31, 2022, was added to or subtracted from the balance of retained earnings at the beginning of the consolidated fiscal year ended March 31, 2022, and thus new accounting policy was applied from the beginning balance of fiscal year ended March 31, 2022. However, the method provided for Paragraph in 86 of the Accounting Standard for Revenue Recognition was applied so that the new accounting policy was not retrospectively applied to contracts where recognition of nearly all the revenue amounts for periods prior to the beginning of the consolidated fiscal year ended on March 31, 2022.

Furthermore, "Notes and accounts receivable –trade", which was presented under "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year, has been included under "Notes receivable – trade", "Accounts receivable – trade" and others starting from the consolidated fiscal year ended on March 31, 2022. However, in accordance with the transitional treatment provided in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the above financial statement line items for the previous fiscal year were not reclassified according to the new format.

As a result, compared to the previous method, in the consolidated fiscal year ended on March 31, 2022, net sales decreased by ¥6,060 million (US\$ 49,519 thousands), and the impact on operating income, ordinary income, and profit before income taxes was minimal. The impact of retained earnings on the balance at the beginning of the period was also minimal.

The impact on per-share information is described in the corresponding section.

In accordance with the transitional treatment provided in Paragraph 89-3 of the Accounting Standard for

Revenue Recognition, notes related to “Accounting Standard for Revenue Recognition” on previous fiscal year are not included.

(Application of Accounting Standards for Fair Value Measurement)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4 2019) was adopted from the beginning of this consolidated fiscal year, and in accordance with the transitional treatment set forth in Article 19 of “Accounting Standard for Fair Value Measurement” and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Company will continue to apply new accounting policies prescribed by “Accounting Standard for Fair Value Measurement” and other standards in the future. The impact of this adoption on these consolidated financial statements is immaterial.

**t. Standards and Guidance not yet adopted**

The following standards and guidance were issued but not yet adopted.

**• Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31, June 17, 2021)**

(1) Overview

When “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019) was released on July 4 2019, it is stated that examining the “fair value calculation on investment trust” and “investment in entities and shares recorded on balance sheet” takes approximately one year. On June 17, 2021, “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019) was updated and released.

(2) Effective date

To be applied from the beginning of the fiscal year ending March 31, 2023

(3) The impact of the adoption of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the impact of this new standard on the consolidated financial statements.

**u. Changes in presentation**

(Adoption of “Accounting Standard for Fair Value Measurement”)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4 2019) was applied from the beginning of this consolidated fiscal year, and in accordance with the transitional treatment set forth in Article 19 of “Accounting Standard for Fair Value Measurement” and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Company will continue to apply new accounting policies prescribed by “Accounting Standard for Fair Value Measurement” and other standards in the future and to disclose the details of market value levels for each financial instrument in “financial instrument and related disclosure” section in this annual report. Subject to the transitional treatment provided for in Paragraph 7-4 of the ASBJ Guidance No.19, notes related to “Accounting Standard for Fair Value Measurement” on previous fiscal year are not included.

(Additional information)

(Accounting Estimate for the spread of COVID-19)

Accounting estimates such as impairment of fixed assets and recoverability of deferred tax assets are based on information available as of the end of the current consolidated fiscal year, and there are no significant changes from what was stated in the Annual Securities Report for the previous consolidated fiscal year.

**3. NOTES TO CONSOLIDATED BALANCE SHEET**

※1. *Investment securities*

Investment securities include the following accounts of affiliated companies.

	Millions of Yen		Thousands of
	<u>2021</u>	<u>2022</u>	<u>U.S. Dollars</u> <u>2022</u>
Capital stock	¥ 1,022	¥ 699	\$ 5,714

※2. *Contract liabilities*

Others include the following contract liabilities.

	Millions of Yen	Thousands of U.S. Dollars
	<u>2022</u>	<u>2022</u>
Contract liabilities	¥ 4,180	\$ 34,159

※3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥12 million and ¥9 million (US\$ 75 thousands) as of March 31, 2021 and 2022, respectively.

※4. *Commitment line contract*

The Company has entered into commitment line contracts with four banks for effective fund-raising:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Total limit of contract	¥ 15,000	¥ 15,000	\$122,559
Loan balances	<u>1,000</u>	<u>5,000</u>	<u>40,853</u>
Available amounts	<u>14,000</u>	<u>10,000</u>	<u>81,706</u>

#### 4. NOTES TO CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

※1. *Revenue recognized from contracts with customers*

In terms of net sales, revenue recognized from contracts with customers and other revenue are not stated separately. Disaggregated information of revenue recognized from contracts with customers is described in Note13.1.

※2. Merchandise and finished goods at the end of fiscal year is described the amount after write-down to book value accompanying with declining profitability.

Loss on valuation of inventories which is included in cost of sales is ¥218 million and ¥1,989million (US\$ 16,256 thousands)for the years ended March 31,2021 and 2022, respectively.

※3. *Selling, general and administrative expenses*

Major items and the amounts under “Selling, general and administrative expenses” are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Salaries and bonuses	¥ 16,682	¥ 18,595	\$ 151,937
Retirement benefit expenses	1,172	1,055	8,626
Provision for directors' bonuses	128	304	2,485
Provision for doubtful accounts	90	(106)	(868)

※4. *Research and development costs*

Research and development costs charged to income are ¥191 million and ¥ 272million (US\$ 2,225 thousands) for the years ended March 31, 2021 and 2022, respectively.



※5. *Gain on sales of property, plant and equipment*

Details of gain on sales of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Machinery, equipment and vehicles	0	7	58
Tools, furniture and fixtures	2	8	65
Land	—	—	—
Total	<u>¥ 2</u>	<u>¥ 15</u>	<u>\$ 123</u>

※6. *Loss on disposal of property, plant and equipment*

Details of loss on disposal of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Buildings and structures	¥ 63	¥ 8	\$ 72
Machinery, equipment and vehicles	15	0	3
Tools, furniture and fixtures	10	4	36
Software	<u>12</u>	<u>—</u>	<u>—</u>
Total	<u>¥ 101</u>	<u>¥ 13</u>	<u>\$ 113</u>

※7. *Impairment loss*

For the year ended March 31, 2021

The Group has recorded impairment loss for the following assets group.

Area	Major uses	Ledger accounts	Impairment losses (Millions of Yen)	Impairment losses (Thousands of U.S. Dollars)	Segment
San Luis Potosi Mexico	Business property	Buildings and structures	468	4,228	Electronic Components
		Machinery, equipment and vehicles	993	8,978	
		Tools, furniture and fixtures	24	217	
Hung Yen Province, Vietnam	Business property	Buildings and structures	65	594	Electronic Components
		Machinery, equipment and vehicles	106	962	
		Tools, furniture and fixtures	10	97	
		Construction in progress	48	439	
		Software	0	3	
		Other (Investments and other assets)	49	448	
Chiyoda-ku, Tokyo, Japan	Business property	Tools, furniture and fixtures	13	124	Electronic Components
		Software	53	484	
		Other (Intangible assets)	1	14	
		Other (Investments and other assets)	1	10	
Chiyoda-ku, Tokyo, Japan	Business property	Buildings and structures	37	340	Other
		Tools, furniture and fixtures	15	140	
		Software	1	15	
Chiyoda-ku, Tokyo, Japan	Idle property	Tools, furniture and fixtures	0	4	Electronic Components

The Group recognizes impairment loss by grouping assets based on the company to which the asset belongs and by grouping idle assets by individual projects. The assets are impaired from carrying amount to the recoverable amount when the profitability declines. The recoverable amount is measured at net selling price or value in use. Value in use is measured based on the amount of future cash flow. In addition, the recoverable amount is regarded as zero when future cash flow is less than zero. Furthermore, estimates of future cash flows include assumptions for future sales forecasts and operating profit, which are estimated based on information impacted by factors external to the Group, such as the market environment and sales strategies.

For the year ended March 31, 2022

The description is not presented due to its insignificance.

※8. Amount of reclassification and income tax effect associated with other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 1,826	¥ 32	\$ 261
Amount of reclassification	121	(348)	(2,843)
Net gain before income tax effect	1,947	(316)	(2,582)
Income tax effect	(570)	237	(1,942)
Net unrealized gain or loss on securities, net of Tax	1,376	(78)	(640)
Deferred gains or losses on hedges			
Amount arising during the period	49	(3)	(26)
Amount of reclassification	(40)	(49)	(404)
Net gain before income tax effect	9	(52)	(430)
Income tax effect	13	(0)	(1)
Deferred gains or losses on hedges	22	(52)	(432)
Foreign currency translation adjustment			
Amount arising during the period	1,205	4,774	39,013
Amount of reclassification	12	147	1,206
Foreign currency translation adjustment	1,218	4,922	40,220
Remeasurements of defined benefit obligations			
Amount arising during the period	146	239	1,958
Amount of reclassification	43	28	231
Net gain before income tax effect	189	268	2,190
Income tax effect	(50)	(79)	(648)
Remeasurements of defined benefit obligations	138	188	1,541
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the period	42	95	780
Total other comprehensive income	¥ 2,799	¥ 5,075	\$ 41,470

5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2021

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2020	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2021
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,243,279	698	14,100	1,229,877

Note:

The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of fractional share repurchases: 698 shares

Decrease as a result of the payment of restricted stock to the directors: 14,100 shares

## 2. Dividends

### (1) Dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 26, 2020	Common stock	1,098 (US\$9,921 thousands)	40 (US\$0.36)	March 31, 2020	June 29, 2020
Board of Directors' meeting held on November 5, 2020	Common stock	823 (US\$7,441 thousands)	30 (US\$0.27)	September 30, 2020	December 4, 2020

### (2) Dividends whose effective date is after March 31, 2021 with record date during the year ended March 31, 2021.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2021	Common stock	1,373 (US\$12,408 thousands)	Retained earnings	50 (US\$0.45)	March 31, 2021	June 30, 2021

For the year ended March 31, 2022

### 1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2021	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2022
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,229,877	1,233,985	9,700	2,454,162

Note:

The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of repurchase of treasury stocks based on Board of Directors Meeting Resolution: 1,231,700 shares

Increase as a result of fractional share repurchases: 2,285 shares

Decrease as a result of the payment of restricted stock to the directors: 9,700 shares

## 2. Dividends

### (1) Dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2021	Common stock	1,373 (US\$11,224 thousands)	50 (US\$0.40)	March 31, 2021	June 30, 2021
Board of Directors' meeting held on November 14, 2021	Common stock	1,180 (US\$9,648 thousands)	45 (US\$0.36)	September 30, 2021	December 3, 2021

### (2) Dividends whose effective date is after March 31, 2022 with a record date during the year ended March 31,

2022.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2022	Common stock	1,968 (US\$16,085 thousands)	Retained earnings	75 (US\$0.61)	March 31, 2022	June 30, 2022

## 6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

- ※1. Cash and cash equivalents at March 31, 2021 and 2022 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Cash and bank deposits	¥ 45,636	¥ 41,051	\$ 335,415
Time deposits with a deposit period of more than 3 months	<u>(1,303)</u>	<u>(1,810)</u>	<u>(14,795)</u>
Cash and cash equivalents	<u>¥ 44,333</u>	<u>¥ 39,240</u>	<u>\$ 320,620</u>

## 7. LEASES

Finance leases that do not transfer ownership of the leased assets to lessees.

Leased assets:

The Group leases buildings, machinery, equipment and vehicles and other assets.

As described in Note 2.i, the lease accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

Future lease payments under non-cancelable operating leases at March 31, 2021 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Due within one year	¥ 17	¥ 9	\$ 73
Due after one year	<u>7</u>	<u>3</u>	<u>28</u>
Total	<u>¥ 24</u>	<u>¥ 12</u>	<u>\$ 101</u>

## 8. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institutions, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

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

Receivables and Payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

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

#### *Credit risk management*

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring the payment terms and balances of major customers by each business administration department to identify the default risk of customers in an early stage.

#### *Market risk management (foreign exchange risk)*

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

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

### (4) *Supplementary Explanation for Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. Please see Note 10 for the detail of fair value for derivatives.

#### (a) Fair Value of Financial Instruments

	Millions of Yen		
<u>March 31, 2021</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Notes and accounts receivable - trade	¥103,773		
Electronically recorded monetary claims	4,621		
Allowance for doubtful accounts ※2	(2,024)		
	106,370	106,370	—
Short-term investment securities	302	302	—
Investment securities	8,229	8,229	—
Guarantee deposits	517	359	(157)
Total	¥ 115,419	¥ 115,262	¥ (157)
Notes and accounts payable-trade	¥ 79,854	¥ 79,854	¥ —
Short-term loans payable	10,800	10,800	—
Accrued expenses	5,957	5,957	—
Income taxes payable	2,136	2,136	—

Long-term loans payable	<u>25,166</u>	<u>25,158</u>	<u>7</u>
Total	<u>¥123,915</u>	<u>¥123,907</u>	<u>¥ 7</u>
Derivatives ※4	<u>¥ 27</u>	<u>¥ 27</u>	<u>¥ —</u>

※1 As for "Cash and bank deposits" is omitted since "Cash and bank deposit" is settled in cash in a short term.

※2 Allowance for doubtful accounts is deducted from Notes and accounts receivable - trade and electronically recorded monetary claims.

※3 Following financial instruments which do not have quoted fair value are not included in "Investment securities" or "Guarantee deposits". The amount recorded on the consolidated balance sheet of the relevant financial instrument is as follows.

	<u>Millions of Yen</u>
Financial instruments	2021
Shares of subsidiaries and related companies	1,022
Unlisted shares	1,367
Investment partnerships	152
Guarantee deposits for transactions	414

※4 The value of assets and liabilities arising from derivatives is shown at net value.

	<u>Millions of Yen</u>		
<u>March 31, 2022</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Accounts receivable-trade	¥110,240	¥110,240	
Short-term investment securities	264	264	—
Investment securities ※2	6,669	6,669	—
Guarantee deposits	<u>1,068</u>	<u>885</u>	<u>(183)</u>
Total	<u>¥118,243</u>	<u>¥118,060</u>	<u>¥ (183)</u>
Notes and accounts payable-trade	¥ 86,493	¥ 86,493	¥ —
Long-term loans payable	<u>25,136</u>	<u>25,072</u>	<u>64</u>
Total	<u>¥111,630</u>	<u>¥111,566</u>	<u>¥ 64</u>
Derivatives ※4	<u>¥ (21)</u>	<u>¥ (21)</u>	<u>¥ —</u>

※1 "Cash and bank deposits," "Note receivable-trade", "Electronically recorded monetary claims," "Short-term loans payable," "Accrued expenses," "Income taxes payable" are settled in cash and others are settled in a short period of time. Therefore, since the market price is close to the book value, the description is omitted.

※2 Stocks which do not have quoted market price are not included in "Investment securities." The amount recorded on the consolidated balance sheet of the relevant financial instrument is as follows.

	<u>Millions of Yen</u>
Shares of related companies	¥ 699
Non-marketable equity securities	1,179

※3 The description of investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount is omitted. The amount recorded on the consolidated balance sheet of the investment is 277 million yen.

※4 The value of assets and liabilities arising from derivatives is shown at net value.

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Accounts receivable-trade	\$ 900,735	\$ 900,735	\$ —
Short-term investment securities	2,159	2,159	—
Investment securities ※2	54,495	54,495	—
Guarantee deposits	8,732	7,232	(1,499)
Total	\$ 966,121	\$ 964,622	\$ (1,499)
Notes and accounts payable-trade	\$ 706,707	\$ 706,707	\$ —
Long-term loans payable	205,382	204,854	527
Total	\$ 912,089	\$ 911,562	\$ 527
Derivatives ※4	\$ (177)	\$ (177)	\$ —

※1 "Cash and bank deposits," "Notes receivable-trade," "Electronically recorded monetary claims," "Short-term loans payable," "Accrued expenses," "Income taxes payable" are settled in cash and others are settled in a short period of time. Therefore, since the market price is close to the book value, the description is omitted.

※2 Stocks which do not have quoted market price are not included in "Investment securities." The amount recorded on the consolidated balance sheet of the relevant financial instrument is as follows.

	Thousands of U.S. Dollars
Shares of related companies	\$ 5,714
Non-marketable equity securities	9,637

※3 The description of investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount is omitted. The amount recorded on the consolidated balance sheet of the investment is 2,265 thousand of U.S. Dollars.

※4 The value of assets and liabilities arising from derivatives is shown at net value.

#### Note 1. Redemption Schedule of Monetary Assets and Securities with Contractual Maturities

March 31, 2021

	Millions of Yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	¥ 45,636	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	103,773	—	—	—
Electronically recorded monetary claims	4,621	—	—	—
Investment securities with maturities	16	114	—	—
Guarantee deposits	37	134	—	191
Total	¥ 154,085	¥ 248	¥ —	¥ 191



March 31, 2022

		Millions of Yen							
		Within 1 year		Over 1 year within 5 years		Over 5 years within 10 years		Over 10 years	
Cash and bank deposits	¥	41,051	¥	—	¥	—	¥	—	
Notes receivable-trade		1,449		—		—		—	
Accounts receivable-trade		110,240		—		—		—	
Electronically recorded monetary claims		9,258		—		—		—	
Investment securities with maturities		—		10		—		—	
Guarantee deposits		45		126		742		—	
Total		¥	162,045	¥	136	¥	742	¥	—

		Thousands of U.S. Dollars							
		Within 1 year		Over 1 year within 5 years		Over 5 years within 10 years		Over 10 years	
Cash and bank deposits	\$	335,415	\$	—	\$	—	\$	—	
Notes receivable-trade		11,843		—		—		—	
Accounts receivable-trade		900,735		—		—		—	
Electronically recorded monetary claims		75,643		—		—		—	
Investment securities with maturities		—		82		—		—	
Guarantee deposits		370		1,035		6,067		—	
Total		\$	1,324,006	\$	1,117	\$	6,067	\$	—

Note 2. The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date of March 31, 2021 and 2022 is as follows:

March 31, 2021

	Millions of Yen									
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years				
Short-term loans	¥ 10,131	¥ —	¥ —	¥ —	¥ —	¥ —				
Long-term loans										
Including current portion of long-term loans payable	668	5,033	5,033	5,100	5,000	5,000				
<b>Total</b>	¥ 10,800	¥ 5,033	¥ 5,033	¥ 5,100	¥ 5,000	¥ 5,000				

March 31, 2022

	Millions of Yen									
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years				
Short-term loans	¥ 18,821	¥ —	¥ —	¥ —	¥ —	¥ —				
Long-term loans										
Including current portion of long-term loans payable	5,036	5,036	5,100	5,000	5,000	5,000				
<b>Total</b>	¥ 23,858	¥ 5,036	¥ 5,100	¥ 5,000	¥ 5,000	¥ 5,000				

		Thousands of U.S. Dollars					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans		\$ 153,786	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		41,153	41,153	41,670	40,853	40,853	40,853
Total		\$ 194,939	\$ 41,153	\$ 41,670	\$ 40,853	\$ 40,853	\$ 40,853

(b) Matters concerning the breakdown of financial instruments by fair value measurement

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

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

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

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

When multiple inputs that have a significant influence on the fair value calculation are used, the fair value is classified into the lowest level in the fair value calculation among the levels to which those inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at fair value  
March 31, 2022

		Market price (Millions of Yen)			
		Level 1	Level 2	Level 3	Total
Short-term investment securities					
Marketable equity securities	¥	264	—	—	¥ 264
Investment securities					
Marketable equity securities		6,659	—	—	6,659
Government bonds		—	10	—	10
Total		¥ 6,923	¥ 10	—	¥ 6,934
Derivatives					
Currency related transactions		—	¥ 21	—	¥ 21
Total		—	¥ 21	—	¥ 21

March 31, 2022

		Market price (Thousands of U.S. Dollars)			
		Level 1	Level 2	Level 3	Total
Short-term investment securities					
Marketable equity securities	\$	2,159	—	—	\$ 2,159
Investment securities					
Marketable equity securities		54,413	—	—	54,413
Government bonds		—	82	—	82
Total		\$ 56,573	\$ 82	—	\$ 56,655
Derivatives					
Currency related transactions		—	\$ 177	—	\$ 177
Total		—	\$ 177	—	\$ 177

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value  
March 31, 2022

	Market price (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable-trade	—	¥ 110,240	—	¥ 110,240
Guarantee deposits	—	885	—	885
Total	—	¥ 111,126	—	¥ 111,126
Notes and accounts payable-trade	—	¥ 86,493	—	¥ 86,493
Long-term loans payable	—	25,072	—	25,072
Total	—	¥ 111,566	—	¥ 111,566

March 31, 2022

	Market price (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Accounts receivable-trade	—	\$ 900,735	—	\$ 900,735
Guarantee deposits	—	7,232	—	7,232
Total	—	\$ 907,967	—	\$ 907,967
Notes and accounts payable-trade	—	\$ 706,707	—	\$ 706,707
Long-term loans payable	—	204,854	—	204,854
Total	—	\$ 911,561	—	\$ 911,561

Note. Explanation of the valuation technique used to calculate the fair value and the inputs related to the calculation of the fair value

Short-term investment securities, investment securities

Listed stocks are evaluated using market prices and are traded in active markets. Therefore, their fair value is classified as Level 1. On the other hand, Government bonds are evaluated based on the reference value of trading statistics and are classified as Level 2.

Derivative

The fair value of exchange contracts is calculated by the discounted present value method using observable inputs such as exchange rates, and is classified as Level 2. Since the allocation of forward exchange contracts is treated together with the receivables and payables (accounts receivable-trade, notes and accounts payable-trade) that are hedged items the fair value is included in the fair value of the receivables and payables. In addition, since the special treatment of interest rate swaps is treated together with long-term borrowings that are hedged items the fair value is included in the fair value of the long-term borrowings (Refer to "Long-term loans payable.).

Accounts receivable-trade

Since the fair value of accounts receivable-trade is settled in a short period of time, the fair value is close to the book value, so it is classified as Level 2 based on the book value.

Guarantee deposits

The fair value of the guarantee deposits is calculated by the discounted present value method based on the refund amount presented by the recipient or the interest rate that takes the past performance and credit risks into account, and is classified as a level 2.

Notes and accounts payable-trade

Since these fair value are settled in a short period of time, the fair value is close to the book value.

Therefore it is based on the book value and is classified as Level 2.

#### Long-term loans payable

The fair value of long-term loans payable is calculated by the discounted present value method based on the total amount of principal and interest, the remaining period of the debt and the interest rate that takes credit risks into account, and is classified as Level 2. Some long-term loans payable with floating interest rates are subject to special treatment of interest rate swaps (see "Derivatives") and is calculated using the total amount of principal and interest that is treated together with the interest rate swaps.

## 9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2021 and 2022 consisted of the following:

### (1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Unrealized gains included in net income for the year	¥ 48	¥ (38)	\$ (315)

### (2) Investment securities with a readily determinable fair value

#### March 31, 2021

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 4,236	¥ 1,645	¥ 2,591
Government and corporate bonds	114	112	2
Others	1,113	725	387
Subtotal	¥ 5,464	¥ 2,483	¥ 2,980
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	2,425	3,224	(799)
Government and corporate bonds	—	—	—
Others	339	356	(17)
Subtotal	¥ 2,764	¥ 3,580	¥ (816)
Total	¥ 8,229	¥ 6,064	¥ 2,164

#### Note:

Non-marketable equity securities of ¥1,367 million, Investments in associated companies of ¥152 million, and Shares of subsidiaries and related companies of ¥ 1,022 million are not included in the above due to difficulty in estimating fair value as market price is not available.

#### March 31, 2022

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 5,826	¥ 3,870	¥ 1,955
Government and corporate bonds	10	10	0

Others	1,177	752	424
Subtotal	¥ 7,014	¥ 4,633	¥ 2,380
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	832	1,166	(333)
Government and corporate bonds	—	—	—
Others	310	348	(38)
Subtotal	¥ 1,143	¥ 1,515	¥ (371)
Total	¥ 8,157	¥ 6,149	¥ 2,008
Thousands of U.S. Dollars			
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	\$ 47,607	\$ 31,628	\$ 15,979
Government and corporate bonds	82	81	0
Others	9,618	6,151	3,466
Subtotal	\$ 57,308	\$ 37,861	\$ 19,447
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	6,805	9,528	(2,723)
Government and corporate bonds	—	—	—
Others	2,537	2,851	(313)
Subtotal	\$ 9,342	\$ 12,379	\$ (3,036)
Total	\$ 66,651	\$ 50,241	\$ 16,410

Note:

Non-marketable equity securities of ¥1,179 million (US\$ 9,637 thousands) and Shares of subsidiaries and related companies of ¥ 699 million (US\$ 5,714 thousands) are not included in the above due to stocks with no market price. In addition, investments in unions and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount of ¥277 million (US\$ 2,265 thousands) is omitted.

(3) Investment securities sold during 2021 and 2022

March 31, 2021

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities	¥	235	¥ 128	¥ —
Government and corporate bonds		—	—	—
Others		273	—	(36)
Total	¥	509	¥ 128	¥ (36)

March 31, 2022

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities	¥	734	¥ 361	¥ (1)
Government and corporate bonds		—	—	—
Others		202	2	(1)
Total	¥	937	¥ 363	¥ (2)

		Thousands of U.S. Dollars		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		\$ 6,004	\$ 2,951	\$ (12)
Government and corporate bonds		—	—	—
Others		1,658	16	(8)
Total		\$ 7,662	\$ 2,967	\$ (20)

(4) Impairment losses recognized on Investment securities are as follows:

		Thousands of U.S. Dollars
		Millions of Yen
2021	2022	2022
¥ 525	¥ 260	\$ 2,130

## 10. DERIVATIVES

### *Derivative Transactions to Which Hedge Accounting Is Applied*

#### (1) Currency related transactions

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2021</u>	<u>Hedged Item</u>			
Principle processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 4,509	¥ —	¥ (60)
Selling CNY	Receivables	119	—	(4)
Buying USD	Payables	2,282	—	101
Buying CNY	Payables	0	—	0
Buying EUR	Payables	0	—	(0)
Total		¥ 6,912	¥ —	¥ 35

Allocation processing of foreign exchange contracts:

Foreign currency forward contracts:

Selling USD	Receivables	¥ 5,453	¥ —	
Selling CNY	Receivables	250	—	
	Receivables-		—	
Selling THB	other	1		
Buying USD	Payables	4,163	—	
Buying CNY	Payables	3	—	
Buying EUR	Payables	1	—	
Total		¥ 9,874	¥ —	¥ —

		Millions of Yen		
		Contract Amount	Contract Amount	Fair Value
<u>March 31, 2022</u>	<u>Hedged Item</u>	<u>Amount</u>	<u>Due after One Year</u>	<u>Value</u>
Principle processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 3,613	¥ —	¥ (140)
Selling CNY	Receivables	76	—	(5)
Buying USD	Payables	2,793	—	141
Buying EUR	Payables	<u>0</u>	<u>—</u>	<u>0</u>
Total		¥ 6,483	¥ —	¥ (5)

Allocation processing of foreign exchange contracts:

Foreign currency forward contracts:

Selling USD	Receivables	¥ 6,866	¥ —	
Selling CNY	Receivables	55	—	
Buying USD	Payables	4,523	—	
Buying CNY	Payables	3	—	
Buying EUR	Payables	0	—	
Total		¥ 11,149	¥ —	¥ —

Thousands of U.S. Dollars

		Thousands of U.S. Dollars		
			Contract Amount Due after One Year	Fair Value
<u>March 31, 2022</u>	<u>Hedged Item</u>	<u>Contract Amount</u>		
Principle processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	\$ 29,521	\$ —	\$ (1,149)
Selling CNY	Receivables	628	—	(48)
Buying USD	Payables	22,826	—	1,155
Buying EUR	Payables	<u>0</u>	<u>—</u>	<u>0</u>
Total		\$ 52,975	\$ —	\$ (42)

Allocation processing of foreign exchange contracts:

Foreign currency forward contracts:

Selling USD	Receivables	\$ 56,106	\$ —	
Selling CNY	Receivables	450	—	
Buying USD	Payables	36,956	—	
Buying CNY	Payables	31	—	
Buying EUR	Payables	6	—	
Total		\$ 93,549	\$ —	\$ —

Note:

Allocation of forward exchange contracts is accounted for as an integral part of monetary receivables and payables denominated in foreign currencies that are hedged items. Therefore, their fair value is included in the fair value of the foreign currency-denominated receivables and payables that are hedged items.

(2) Interest related transactions

For the year ended March 31, 2021

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 13,093	¥ 12,900	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

For the year ended March 31, 2022

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen, Thousands of U.S. Dollars		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 12,900 (\$ 105,400)	¥ 8,600 (\$ 70,267)	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.



## 11. RETIREMENT BENEFITS

### (1) Outline of retirement benefits plans

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. The defined benefit plans and lump-sum payment plans of some of the consolidated subsidiaries are calculated using simplified methods.

### (2) Defined benefit pension plans

(a) Changes in the retirement benefit obligation for the years ended March 31, 2021 and 2022 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Retirement benefit obligation at the beginning of the year	¥ 6,971	¥ 7,987	\$ 65,259
Increase from newly consolidated subsidiary	879	—	—
Service cost	482	518	4,239
Interest cost	40	40	327
Actuarial gains (losses)	(61)	(197)	(1,612)
Benefits paid	(330)	(504)	(4,119)
Prior service cost	—	(17)	(146)
Others	4	6	51
Retirement benefit obligation at the end of the year	¥ 7,987	¥ 7,823	\$ 63,925

(b) Changes in the plan assets for the years ended March 31, 2021 and 2022 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Plan assets at fair value at the beginning of the year	¥ 6,274	¥ 7,310	\$ 59,734
Increase from newly consolidated subsidiary	611	—	—
Expected return on plan assets	125	124	1,017
Actuarial gains (losses)	129	23	188
Contributions by the employer	406	426	3,484
Benefits paid	(238)	(466)	(3,807)
Others	2	55	450
Plan assets at fair value at the end of the year	¥ 7,310	¥ 7,473	\$ 61,067

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2021 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net defined benefit liabilities at the beginning of the year	¥ 1,252	¥ 1,565	\$ 12,794
Increase from newly consolidated subsidiary	254	—	—
Retirement benefit expenses	247	296	2,418
Retirement benefits paid	(91)	(100)	(820)
Contributions to plan	(90)	(117)	(960)
Others	(7)	(2)	(17)

Net defined benefit liabilities at the end of the year	<u>¥ 1,565</u>	<u>¥ 1,641</u>	<u>\$ 13,415</u>
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- (d) Reconciliation between the funded status of the plans (retirement benefit obligation and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2021 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Retirement benefit obligation of funded plans	¥ 9,166	¥ 7,673	\$ 62,699
Plan assets	<u>(8,090)</u>	<u>(7,473)</u>	<u>(61,067)</u>
	1,076	199	1,632
Retirement benefit obligation of unfunded plans	<u>1,166</u>	<u>1,800</u>	<u>14,707</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 2,242</u>	<u>¥ 1,999</u>	<u>\$ 16,340</u>
Net defined benefit liabilities	<u>2,242</u>	<u>1,999</u>	<u>16,340</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 2,242</u>	<u>¥ 1,999</u>	<u>\$ 16,340</u>

- (e) Components of retirement benefit expenses for the years ended March 31, 2021 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Service cost	¥ 488	¥ 424	\$ 3,465
Interest cost	40	40	327
Expected return on plan assets	(125)	(124)	(1,017)
Amortization of actuarial loss	43	33	272
Prior service cost	—	(1)	(12)
Redundancy pay	21	7	61
Retirement benefit expenses calculated based on the simplified method	247	337	2,761
Others	<u>9</u>	<u>12</u>	<u>105</u>
Retirement benefit expenses for defined benefit pension plans	<u>¥ 727</u>	<u>¥ 730</u>	<u>\$ 5,965</u>

- (f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2021 and 2022 are as follows:

Components of remeasurements of defined benefit obligations, net of tax before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Prior service cost	¥ —	¥ 16	\$ 133
Actuarial gains and losses	<u>189</u>	<u>252</u>	<u>2,065</u>
Total	<u>¥ 189</u>	<u>¥ 269</u>	<u>\$ 2,199</u>

(g) Remeasurements of defined benefit obligations as of March 31, 2021 and 2022 are as follows:

Components of remeasurements of accumulated defined benefit obligations before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
Unrecognized prior service cost	¥ —	¥ 16	\$ 133
Unrecognized actuarial gains or losses	<u>18</u>	<u>272</u>	<u>2,225</u>
Total	<u>¥ 18</u>	<u>¥ 288</u>	<u>\$ 2,359</u>

(h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	<u>2021</u>	<u>2022</u>
General accounts	79.39%	73.25%
Other	<u>20.61%</u>	<u>26.75%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Determining expected long-term rate of return

In determining the long-term rate of return for plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

(i) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations using the weighted average method

	<u>2021</u>	<u>2022</u>
Discount rate	0.46~0.67%	0.43~0.67%
Expected long-term rate of return	0.87~2.50%	1.50~2.50%

(3) Defined contribution pension plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2022</u>	<u>2022</u>
	¥ 610	¥ 522	\$ 4,265

## 12. INCOME TAXES

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 847	¥ 862	\$ 7,043
Retirement benefits for directors and corporate auditors	33	38	314
Retirement benefits for directors (and other officers)	401	401	3,278
Allowance for doubtful accounts	723	728	5,954
Accrued bonuses	763	972	7,944
Net defined benefit liability	710	619	5,058
Tax loss carryforwards	2,522	1,794	14,659
Devaluation of inventories	280	806	6,588
Impairment loss	804	851	6,955
Deferred tax assets of the planned liquidation company	106	—	—
Others	2,219	2,379	19,444
Sub-total	9,414	9,453	77,241
Valuation allowance on tax loss carryforwards	(1,165)	(944)	(7,720)
Valuation allowance on deductible temporary differences	(3,899)	(4,164)	(34,023)
Less valuation allowance—total	(5,065)	(5,109)	(41,743)
Deferred tax assets—total	4,348	4,344	35,498
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(2,267)	(2,845)	(23,246)
Unrealized gain on property and equipment	(101)	(95)	(777)
Unrealized gain on available-for-sale securities	(972)	(734)	(6,004)
Advanced depreciation on fixed assets	(179)	(171)	(1,403)
Others	(258)	(354)	(2,898)
Deferred tax liabilities—total	(3,781)	(4,201)	(34,330)
Net deferred tax assets	¥ 567	¥ 142	\$ 1,167

(Note)

1. Tax loss carryforwards and the amount of deferred tax assets by carry forward

### March 31, 2021

	Millions of Yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	¥ 102	¥ 118	¥ 124	¥ 92	¥ 135	¥ 1,948	¥ 2,522
Less valuation allowance	(102)	(112)	(71)	(71)	(109)	(698)	(1,165)
Deferred tax assets	—	6	53	21	25	1,249	1,356

### March 31, 2022

	Millions of Yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	¥ 114	¥ 96	¥ 93	¥ 118	¥ 101	¥ 1,269	¥ 1,794
Less valuation allowance	(114)	(48)	(54)	(79)	(94)	(552)	(944)

Deferred tax assets	—	47	38	39	6	716	849
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Thousands of U.S. Dollars							
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	\$ 939	\$ 786	\$ 764	\$ 969	\$ 827	\$ 10,371	\$ 14,659
Less valuation allowance	(939)	(397)	(447)	(646)	(775)	(4,513)	(7,720)
Deferred tax assets	—	388	316	322	52	5,857	6,938

※Tax loss carryforwards are multiplied by the effective statutory tax rate.

(2) A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2021 and 2022 is as follows:

	2021	2022
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.3	0.2
Tax benefits not recognized on operating losses of subsidiaries	7.5	(0.3)
Difference in tax rates of foreign subsidiaries	(4.9)	(5.6)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	2.2	3.0
Change in valuation allowance	(0.4)	(0.3)
Share of loss of entities accounted for using equity method	1.3	0.7
Gain on bargain purchase	(16.8)	—
Others, net	2.0	(1.7)
Actual effective tax rate	21.8	26.6

### 13. REVENUE RECOGNITION

#### 1. Disaggregated information of revenue recognized from contracts with customers

For the year ended March 31, 2022

Millions of Yen					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-Ware	Other	Total
Sales					
Japan	¥ 201,861	¥ 38,946	¥ 2,750	¥ 18,675	¥ 262,233
North America	34,062	—	17	22	34,101
Europe	16,840	—	—	33	16,874
Asia	181,037	1	—	305	181,344
Revenue recognized from contracts with customer	433,801	38,948	2,767	19,036	494,553
Other Revenue	51	668	—	553	1,273
Sales to external customers	433,852	39,616	2,767	18,590	495,827

  

Thousands of U.S. Dollars					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-Ware	Other	Total
Sales					
Japan	\$ 1,649,329	\$ 318,219	\$ 22,472	\$ 152,587	\$ 2,142,607
North America	278,307	—	141	182	278,630
Europe	137,593	—	—	277	137,870
Asia	1,479,188	13	—	2,493	1,481,694
Revenue recognized from contracts with customer	3,544,417	318,232	22,613	155,539	4,040,801
Other Revenue	422	5,462	—	4,524	10,408
Sales to external customers	3,544,839	323,694	22,613	160,063	4,051,210

#### 2. Basic information to understand revenue recognized from contracts with customers

Basic information is written in 2."SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES q. Recognition of important revenue and expense."

3. Information about the relationship between satisfaction of performance obligation and cash flow occurred from the contracts and information about revenue that will be recognized in the next fiscal year or after based on the contracts at the end of this fiscal year.

#### (a) The balances of receivables from contracts with customers and contract liabilities

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables from contracts with customers (At the beginning of this fiscal year)	¥ 108,329	\$ 885,113
Receivables from contracts with customers (At the end of this fiscal year)	120,806	987,061
Contract liabilities (At the beginning of this fiscal year)	3,419	27,935

Contract liabilities		
(At the end of this fiscal year)	4,180	34,159

Contract liabilities mainly consists of compensation from customers based on payment terms before goods or services are transferred to customers and contract liabilities are reversed with recognition of revenue. Contract liabilities are included in "Others" in current liabilities. The amount of revenue recognized in this fiscal year that was included in the contract liabilities at the beginning of this fiscal year is ¥1,149 million (\$9,390 thousand).

(b) Transaction price allocated to the remaining performance obligations

The Company and its subsidiaries apply simplified method in note of transaction price allocated to the remaining performance obligations, and therefore the contracts that have an original expected duration of one year or less are not included. The performance obligation is related to all business manufacturing and sales. The total transaction price allocated to the remaining performance obligations and the expected period of revenue recognition are as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Within 1 year	¥ 79	\$ 652
More than 1 year and Within 2 year	76	623
More than 2 year and Within 3 year	66	544
More than 3 year	162	1,328
Total	385	3,149

#### 14. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group has four reporting segments that are made of different categories of products and services: electronic components, information equipment, software and others. The electronic components segment includes the development, manufacture and sales of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities.

The other segment includes the fix and support of electronic components, the manufacture and sale of amusement equipment, sales of sports goods and other activities.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2., "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

(3) Information about sales, profit (loss), assets and other items is as follows:

Millions of Yen								
2021								
Reportable Segment						Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
	Electronic Components	Information Equipment	Soft- ware	Other	Total			
Sales:								
Sales to external customers	¥ 353,454	¥ 48,389	¥ 2,932	¥ 17,589	¥ 422,365	¥ —	¥ 422,365	
Inter segment sales or transfers	3,022	4,251	1,178	4,714	13,166	(13,166)	—	
Total sales	¥ 356,476	¥ 52,640	¥ 4,111	¥ 22,303	¥ 435,532	¥ (13,166)	¥ 422,365	
Segment profit (loss)	¥ 8,151	¥ 2,482	¥ 263	¥ 474	¥ 11,371	¥ 95	¥ 11,467	
Segment assets	215,323	18,368	2,076	11,142	246,911	(9,906)	237,004	
Others:								
Depreciation	2,273	51	56	156	2,537	(7)	2,530	
Increase in property, plant and equipment and intangible assets	3,139	281	93	183	3,698	(124)	3,574	
Millions of Yen								
2022								
Reportable Segment						Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
	Electronic Components	Information Equipment	Soft- ware	Other	Total			
Sales:								
Sales to external customers	¥ 433,852	¥ 39,616	¥ 2,767	¥ 19,590	¥ 495,827	¥ —	¥ 495,827	
Inter segment sales or transfers	2,733	5,402	855	6,265	15,257	(15,257)	—	
Total sales	¥ 436,586	¥ 45,019	¥ 3,623	¥ 25,855	¥ 511,085	¥ (15,257)	¥ 495,827	
Segment profit (loss)	¥ 18,107	¥ 2,085	¥ (26)	¥ 626	¥ 20,792	¥ 122	¥ 20,915	
Segment assets	250,460	20,435	1,612	11,707	284,214	(12,074)	272,139	
Others:								
Depreciation	2,237	54	53	136	2,481	(10)	2,471	
Increase in-property, plant and equipment and intangible assets	4,362	121	24	146	4,654	—	4,654	



	Thousands of U.S. Dollars						
	2022						
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 3,544,839	\$ 323,694	\$ 22,613	\$ 160,063	\$ 4,051,210	\$ —	\$ 4,051,210
Inter segment sales or transfers	22,337	44,143	6,992	51,191	124,664	(124,664)	—
Total sales	<u>\$ 3,567,176</u>	<u>\$ 367,837</u>	<u>\$ 29,605</u>	<u>\$ 211,255</u>	<u>\$ 4,175,875</u>	<u>\$ (124,664)</u>	<u>\$ 4,051,210</u>
Segment profit (loss)	\$ 147,952	\$ 17,039	\$ (218)	\$ 5,116	\$ 169,889	\$ 1,003	\$ 170,893
Segment assets	2,046,409	166,966	13,173	95,655	2,322,205	(98,658)	2,223,547
Others:							
Depreciation	18,281	445	434	1,118	20,279	(85)	20,193
Increase in-property, plant and equipment and intangible assets	35,644	988	201	1,193	38,028	—	38,028

Note: 1. The adjustment for segment operating income is as follows:

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Elimination of inter-segment trade	¥ 95	¥ 122	\$ 1,003
Amortization of goodwill	—	—	—
Total	<u>¥ 95</u>	<u>¥ 122</u>	<u>\$ 1,003</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Elimination of inter-segment trade	¥ (12,168)	¥ (14,176)	\$ (115,826)
Reconciliations	<u>2,261</u>	<u>2,101</u>	<u>17,168</u>
Total	<u>¥ (9,906)</u>	<u>¥ (12,074)</u>	<u>\$ (98,658)</u>

Note: Total corporate assets principally consist of surplus funds of the Companies under management (cash and securities).

(3) Depreciation and amortization

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Elimination of inter-segment trade	¥ (7)	¥ (10)	\$ (85)
Total	¥ (7)	¥ (10)	\$ (85)

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Elimination of inter-segment trade	¥ (124)	¥ —	\$ —
Total	¥ (124)	¥ —	\$ —

2. Segment income is adjusted for operating income in the consolidated statement of income and comprehensive income.

**Associated Information**

For the year ended March 31, 2021

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2021				
Japan	North America	Europe	Asia	Total
¥ 240,240	¥ 22,698	¥ 13,622	¥ 145,804	¥ 422,365

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2021				
Japan	North America	Europe	Asia	Total
¥11,688	¥ 114	¥ 158	¥ 6,263	¥ 18,225

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: the United States, the United Mexican States
- (2) Europe: United Kingdom, Federal Republic of Germany, Czech Republic, Russia and Republic of Turkey
- (3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia and Vietnam

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

For the year ended March 31, 2022

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2022				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥ 263,415	¥ 34,101	¥ 16,874	¥ 181,436	¥ 495,827

  

Thousands of U.S. Dollars				
2022				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 2,152,262	\$ 278,631	\$ 137,871	\$ 1,482,445	\$ 4,051,210

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2022				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥11,336	¥ 415	¥ 129	¥ 7,512	¥ 19,393

  

Thousands of U.S. Dollars				
2022				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 92,629	\$ 3,391	\$ 1,054	\$ 61,380	\$ 158,454

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: the United States, the United Mexican States
- (2) Europe: United Kingdom, Federal Republic of Germany, Czech Republic, Russia and Republic of Turkey
- (3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia and Vietnam

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

**Information of impairment loss on fixed assets of reportable segments**

For the year ended March 31, 2021

Millions of Yen					
2021					
Reportable Segment					
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	¥ 1,838	¥ —	¥ —	¥ 55	¥ 1,893

For the year ended March 31, 2022

Millions of Yen					
2022					
Reportable Segment					
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	¥ 45	¥ —	¥ —	¥ 47	¥ 93

Thousands of U.S. Dollars					
2022					
Reportable Segment					
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	\$ 373	\$ —	\$ —	\$ 387	\$ 761

**Information of amortization of goodwill and balance of goodwill of reportable segments**

For the year ended March 31, 2021

Millions of Yen						
	Reportable Segment					Consolidated
	Electronic Components	Information Equipment	Software	Other	Total	
Amortization of goodwill for fiscal year	¥ 114	¥ —	¥ —	¥ —	¥ 114	¥ 114
Balance of goodwill at the end of fiscal year	209	—	—	—	209	209

For the year ended March 31, 2022

Millions of Yen						
	Reportable Segment					Consolidated
	Electronic Components	Information Equipment	Software	Other	Total	
Amortization of goodwill for fiscal year	¥ 110	¥ —	¥ —	¥ —	¥ 110	¥ 110
Balance of goodwill at the end of fiscal year	98	—	—	—	98	98

	Thousands of U.S. Dollars						
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Amortization of goodwill for fiscal year	\$ 901	\$ —	\$ —	\$ —	\$ 901	\$ —	\$ 901
Balance of goodwill at the end of fiscal year	807	—	—	—	807	—	807

**Information of gain on negative goodwill by reportable segments**

For the year ended March 31, 2021

The Company recognized a gain on bargain purchase of ¥7,963 million (US\$71,930 thousands) in the Electric Components segment, when the Company acquired of EXCEL Co., Ltd share on April 1, 2020

For the year ended March 31, 2022

No significant items to be reported.

**15. RELATED PARTY TRANSACTIONS**

(1) Principal transactions between the Company and its related party

For the year ended March 31, 2021

The description is not presented due to its insignificance.

For the year ended March 31, 2022

Principal transactions between the Company and its related party for the year ended March 31, 2022 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)										
Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2020
Major stock- holder	Sankyo Co., Ltd.	Shibuya- ku, Tokyo	¥14,840	Manufact- uring and sales of game machines	Owned directly 9.24%	—	Acquisition of own shares (Note)	¥3,674	—	—

**Note:**

Treasury shares have been repurchased through Tokyo Stock Exchange Trading Network Off Auction Own Share Repurchase Trading System (ToSTNeT-3) on August 5, 2021, at the price of ¥2,983, based on Board of Directors Resolution on August 5, 2021. As a result of the acquisition of treasury shares, Sankyo Co., Ltd. is removed from the major shareholders of the Company and is no longer a related party.

(2) Principal transactions between the Company's director and its related party

For the year ended March 31, 2021

Principal transactions between the Company's director and its related party for the year ended March 31, 2021 are summarized as follows:

(Amount unit: Millions of yen)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2021
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥10	Management of restaurant and convenience store	—	Interlocking directorate	Purchasing goods, Purchasing gifts (Note)	¥24	—	—

Note: The Company concluded the contract transaction at a price equivalent to market price.

For the year ended March 31, 2022

Principal transactions between the Company's director and its related party for the year ended March 31, 2022 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2022
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥10 (\$81)	Management of restaurant and convenience store	—	Interlocking directorate	Purchasing goods, Purchasing gifts (Note)	¥8 (\$69)	—	—

Note: Trade condition and policy

Purchase contracts are entered into between KGF and the Company, and the purchase price of goods is determined based on the discussions between the two parties.

The Company concluded the contract purchasing gifts at a price equivalent to market price.

## 16. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2021	2022	2022
Net assets per share	¥ 3,311.24	¥ 4,026.22	\$ 32.89
Net income per share	415.07	576.45	4.70

Notes 1. Diluted net income per share has not been disclosed because there were no potentially dilutive shares.

2. The basis for computation of net income per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net income per share			
Profit attributable to owners of the parent	¥ 11,399	¥ 15,401	\$ 125,841
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	11,399	15,401	125,841
Average number of common stock outstanding during the fiscal year (Share)	27,465,021	26,717,972	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	—	—	

3. The basis for computation of net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Net assets per share			
Total net assets	¥ 95,062	¥ 105,800	\$ 864,452
Amount deducted from total net assets (Non-controlling interests)	4,095 (4,095)	120 (120)	981 (981)
Net assets corresponding to common stock at the end of the fiscal year	90,967	105,680	863,470
Number of common stock shares used for the calculation of net assets per share (Share)	27,472,241	26,247,956	



## 17. SIGNIFICANT SUBSEQUENT EVENTS

### (Issuance of Unsecured Corporate Bonds)

The Company, based on Directors' Resolution in Board of Directors Meeting on April 28, 2022, determined the terms of issuance on June 17, 2022, and issued 1<sup>st</sup> and 2<sup>nd</sup> of unsecured corporate bonds. An overview of the Unsecured Corporate Bond is presented below.

#### Kaga Electronics Co., Ltd. 1st Unsecured Corporate Bonds

(Subject to a designated inter-bond pari passu clause)

1. Total amount of issue	5,000 million yen
2. Face value each unsecured corporate bond	100 million yen
3. Interest rate	0.400% per annum
4. Issue price	100 yen per 100 yen of each
5. Issue date	June 23, 2022
6. Redemption deadline	June 23, 2025
7. Redemption method	Redemption in a lump sum at maturity

#### 8. Collateral and guarantees

These unsecured corporate bonds are not secured by any collateral or guarantees, and no assets have been retained specifically to secure them.

9. Purpose of issue	Reimbursement of borrowing
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#### Kaga Electronics Co., Ltd. 2<sup>nd</sup> Unsecured Corporate Bonds

(Subject to a designated inter-bond pari passu clause)

1. Total amount of issue	5,000 million yen
2. Face value each unsecured corporate bond	100 million yen
3. Interest rate	0.500% per annum
4. Issue price	100 yen per 100 yen of each
5. Issue date	June 23, 2022
6. Redemption deadline	June 23, 2027
7. Redemption method	Redemption in a lump sum at maturity

#### 8. Collateral and guarantees

These unsecured corporate bonds are not secured by any collateral or guarantees, and no assets have been retained specifically to secure them.

9. Purpose of issue	Reimbursement of borrowing
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## 18. CONSOLIDATED SUPPLEMENTARY SCHEDULE

(1) Schedule of bonds  
Not applicable.

(2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars	Interest rate (%)	Maturity
	2021	2022	2022		
Short-term loans payable	¥ 10,131	¥ 18,821	\$ 153,786	0.86%	—
Current portion of long-term loans payable	668	5,036	41,153	0.46%	—
Current portion of lease obligations	699	733	5,997	2.71%	—
Long-term loans payable (excluding current portion)	25,166	25,136	205,382	0.5%	2023 to 2027
Lease obligations (excluding current portion)	1,594	1,442	11,785	2.21%	2023 to 2026
Other interest-bearing debt	—	—	—	—	—
Total	¥ 38,261	¥ 51,171	\$ 418,103		

Notes:

- Interest rates are stated at weighted average interest rates based on the average balance of borrowings for the year.
- The repayment schedule of long-term loans payable and lease obligations (excluding current portion) per year for 5 years subsequent to March 31, 2021 is summarized as follow

Category	Millions of Yen			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	¥ 5,036	¥ 5,100	¥ 5,000	¥ 5,000
Lease obligations	625	397	181	102
Total	¥ 5,662	¥ 5,497	¥ 5,181	¥ 5,102

  

Category	Thousands of U.S. Dollars			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	\$ 41,153	\$ 41,670	\$ 40,853	\$ 40,853
Lease obligations	5,114	3,250	1,486	839
Total	\$ 46,267	\$ 44,921	\$ 42,339	\$ 41,692

(3) Schedule of asset retirement obligations

According to the Article 92-2 of the “Regulations for Consolidated Financial Statements,” schedule of asset retirement obligations is not presented, as the amount of asset retirement obligations is less than 1 percent of the total amount of liabilities and net assets.