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

*Consolidated Financial Statements for the
Year Ended March 31, 2021
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), which comprise the consolidated statement of financial position as at March 31, 2021, 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 at March 31, 2021, 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.

Acquisition of Excel Co., Ltd (Notes to consolidated financial statements, 13. Business Combinations)	
Key audit matter description	How our audit addressed the key audit matter
<p>The Company formulated “Mid-term Business Plan 2021”, and featured “To become ‘Japan’s No.1 corporate group in the industry” and furthermore “To aim to become a competitive world class company” as mid-and long term management vision by establishing “profit-oriented management”. The Company is working to strengthen our revenue base, stabilize our management base and create new businesses.</p> <p>As part of the growth strategy, on April 1, 2020, the Company acquired all the outstanding equity of Excel Co., Ltd from City Index Eleventh Co. in exchange for cash consideration of 389 million yen.</p> <p>With respect to the acquisition of Excel Co., Ltd and its subsidiaries (collectively referred to as “the Excel Group”), the Company has allocated the acquisition price of “the Excel Group” in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21) to the identifiable assets and liabilities as of the acquisition date. As a result, the Company has recorded a gain as a result of a bargain purchase of 7,963 million yen (55.0% of net income before income tax) on the extraordinary income as the differences between the acquisition cost and the allocation cost of the fair value of identifiable assets and liabilities.</p> <p>Given the quantitative significance of the acquisition and the related fair value of identified assets and liabilities, as well as the gain on negative goodwill recorded during the current fiscal year, and the high degree of auditor judgment required for the evaluation, we determined that the matter is a key audit matter.</p>	<p>In order to evaluate the acquisition accounting of Excel Co., Ltd, we performed the following principal audit procedures:</p> <ul style="list-style-type: none"> • We understood and evaluated the design and implementation and tested the operating effectiveness of internal controls related to the process of allocating the acquisition price. • We made inquiries of management regarding the transaction. In addition, we examined the stock purchase contract, the minutes of board of director meetings, and the related authorization. • We evaluated the competence and objectivity of management's experts. In addition, we examined the reasonableness of the objectivity of the expert's work. • We vouched the payment of consideration to evidence. • We obtained evidence and recalculated independently to confirm that the Company accurately calculated the gain on bargain purchase and recalculated to examine the accuracy. • We obtained the schedule of identifiable assets and liabilities including the completeness of liabilities of the Excel Group, assessed the reasonableness and appropriateness of the calculation, process, method and estimate, and vouched the amount on the schedule and related evidence. • We compared the opening balance sheet used in the purchase price allocation to the financial statement audited by the Excel Group auditor as of March 31, 2020 of the balance sheet date of “the Excel Group.” • With respect to the completeness of identifiable liabilities of the Excel Group as of the acquisition date, we inquired with the board of directors and each business site manager regarding contingent liabilities, observed the minutes of board of directors meetings and approval documents, and analyzed transactions after the acquisition term.

Estimation of allowance for doubtful accounts for a significant outstanding balance due from a customer (Notes to consolidated financial statements, 2.r. Significant Accounting Estimates)	
Key audit matter description	How our audit addressed the key audit matter
<p>As of March 31, 2021, the Company has recorded allowance for doubtful accounts of 1,750 million yen (0.7% of total assets) against an outstanding accounts receivable balance of 4,307 million yen (1.8% of total consolidated assets) related to one customer on the consolidated balance sheet due to the customer's financial difficulties.</p> <p>For these receivables, the Company has recorded the estimated uncollectible amount as allowance for doubtful accounts using the cash flow estimation method. The allowance is estimated by taking into consideration the estimated cash flow forecast of the customer. The estimated uncollectible amount may increase depending on the cash flow trends of the customer.</p> <p>These assumptions involve management's judgment and because of the high degree of estimation uncertainty, the quantitative significance of the allowance for doubtful accounts recorded during the current fiscal year, audit judgment is required to evaluate the reasonableness of the estimate. Therefore, we determined that the matter is a key audit matter.</p>	<p>In order to evaluate the estimate of allowance for doubtful accounts for the creditor, we performed the following principal audit procedures.</p> <ul style="list-style-type: none"> • With respect to the estimate of doubtful receivables, we understood and assessed the design and implementation and tested the operating effectiveness of internal controls which evaluate the creditor's solvency including the probable estimated revenue of the creditor. • We verified the degree of deterioration in the customer's financial condition based on the financial condition and operating results. • We performed the following procedures to examine the reasonableness of the estimated allowance for the uncollectible amount: <ul style="list-style-type: none"> - Inquired with the officers and sales department manager about the basis for the calculation of the estimated uncollectible amount. - Inspected the sales contract to verify factual information used in management's assumptions and data about estimated revenues regarding the estimated uncollectible amount. - Performed the following to assess the reasonableness of the calculation of the estimated uncollectible amount: <ul style="list-style-type: none"> • Inquired with the officers of the Company and the sales department manager about the current and expected future contracts with the customer. In addition, we assessed whether management has the intent and ability to continue operations with the customer by observing the minutes of board of directors meetings and the approval document. • Obtained evidence such as planning documents including procurement cost of raw materials necessary for the revenue realization for the creditor and verified the completeness and reasonableness of

	<p>the planning documents.</p> <ul style="list-style-type: none"> - Obtained the cash flow projections used to estimate future payments and verified the completeness and reasonableness of the estimates in the business plan. • We verified the adequacy of the disclosures regarding accounting estimates were in accordance with accounting principles.
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Measurement of impairment loss on fixed assets of the Electronic Components segment in North America
(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>The Company's Electronic Components segment North American operations includes board-assembly, kitting-service, original equipment manufacturing and production control know-how and serves Japanese, European and US customers, and is expanding into southern China.</p> <p>As of March 31, 2021, the Company has recorded an impairment loss on the fixed assets of the Electronic Components segment in North America of 1,486 million yen (10.3% of income before income taxes) on the consolidated statement of income and comprehensive income due to a deterioration of the business environment in which the Company operates in North America.</p> <p>The Company calculated the impairment loss on its fixed assets using the future cash flow, which uses assumptions in determining future sales projections and operating income, including information regarding the business environment in which the Company operates.</p> <p>These assumptions involve management judgment and because of the high degree of estimation uncertainty, and the quantitative significance of the impairment loss on fixed assets of the Electronic Components segment in North America recorded during the current fiscal year, audit judgment is required to evaluate the reasonableness of the estimate. Therefore, we determined that the matter is a key audit matter.</p>	<p>In order to evaluate the impairment loss on the fixed assets of the Electronic Components segment in North America, we performed the following principal audit procedures.</p> <ul style="list-style-type: none"> • We understood and evaluated the design and implementation and tested the operating effectiveness of internal controls related to the recognition and measurement of the impairment of fixed assets including assumptions made to estimate future sales projections and operating income underlying the future cash flow estimates generated from operating activities of the Electronic Component segment in North America. • We performed the following procedures to examine the future cash flows in the fiscal years included in the Medium Term Management Plan generated from operating activities of the Electronic Component segment in North America. <ul style="list-style-type: none"> - Verified the reasonableness of the Medium Term Management Plan. - Compared actual results of the previous year to the Medium Term Management Plan. - Compared the previous year's sales projection and operating income rate projection to the actual sales and operating income. - Verified the reasonableness of previous sales and operating income and compared those details to the the expected use of the segment's assets.

	<ul style="list-style-type: none"> - Inquired with management regarding business strategy and planning of future customer expansion which we verified with the approved Medium Term Management Plan. • Verified management's evaluation of the estimated future cash flows indicated in the Medium Term Management Plan.
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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 Company has been investing in newly-formed companies by discovering and investing in growth markets such as in-vehicle electronic devices, environmentally-friendly technology solutions, and communications and new markets such as medical/healthcare to generate innovation.</p> <p>As of March 31, 2021, the Company has recorded investment securities including unlisted securities of 1,367 million yen (0.6% of total consolidated assets) on the consolidated balance sheet, and a loss on valuation of investment securities of 525 million yen (3.6% of income before income tax) on the consolidated statement of income and comprehensive income.</p> <p>With respect to unlisted securities, investments in venture companies are sometimes acquired at a higher price than the net asset value, reflecting the future economic benefits arising from the investee's operations. In light of the recent performance by the investee compared to the medium-to-long term business plan obtained at the time of acquisition and the reasonableness of future projections, if the projected future economic benefits are no longer expected, a valuation loss is recorded if the actual value considering the reduction in projected future economic benefits has significantly declined. The Company and its consolidated subsidiaries recognize valuation losses only when the actual value of the assets has declined significantly.</p> <p>These assumptions used in the assessment of investment securities including unlisted securities stock involve management's judgment and because of the high degree of estimation uncertainty, and the quantitative significance of</p>	<p>In order to evaluate the investment securities including unlisted securities stock, we performed the following principal audit procedures.</p> <ul style="list-style-type: none"> • We understood and 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. • We inquired the officers and employees of the Company regarding the assessment process of investments in venture companies at the time of acquisition and the most recent financial status or 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. • In terms of stocks whose net income per share has been decreasing based on the most recent financial information, we compared the preliminary business plan and actual amount and determined whether it is temporary that the actual amount is less than the preliminary business plan. In addition, we verified whether the net asset value, reflecting the excess earning capacity, has substantially decreased. • We obtained the evaluation prepared by management and considered whether the Company should recognize any impairments. In addition, we compared the forecasted financial projections developed by the



the investment securities balance, audit judgment is required for the evaluation. Therefore, we determined that this matter is a key audit matter.	investees' management to the valuation of the investments. <ul style="list-style-type: none"> • We inspected evidence related to the amount at the acquisition to verify the accuracy of the acquisition cost.
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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, 2021 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.

好田 健祐

Kensuke Koda

Designated Engagement Partner
Certified Public Accountant

新田 将貴

Masaki Nitta

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Sarata LLC

September 10, 2021

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2020	2021	2021
CURRENT ASSETS:			
Cash and bank deposits	¥ 43,384	¥ 45,636	\$ 412,218
Notes and accounts receivable-trade	85,495	103,773	937,345
Electronically recorded monetary claims	5,876	4,621	41,741
Short-term investment securities	254	302	2,736
Merchandise and finished goods	25,276	29,727	268,515
Work in process	567	1,280	11,564
Raw materials and supplies	6,063	6,940	62,694
Others	7,601	9,921	89,615
Allowance for doubtful accounts	(188)	(2,024)	(18,288)
Total CURRENT ASSETS	174,331	200,179	1,808,143
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	13,899	14,327	129,412
Accumulated depreciation	(6,533)	(7,305)	(65,988)
Buildings and structures, net	7,365	7,021	63,424
Machinery, equipment and vehicles	10,163	11,496	103,840
Accumulated depreciation	(5,685)	(6,853)	(61,903)
Machinery, equipment and vehicles, net	4,477	4,642	41,937
Tools, furniture and fixtures	5,092	5,632	50,875
Accumulated depreciation	(4,032)	(4,254)	(38,428)
Tools, furniture and fixtures, net	1,060	1,378	12,447
Land	4,924	5,074	45,836
Construction in progress	145	107	975
Total PROPERTY, PLANT AND EQUIPMENT	17,974	18,225	164,621
INTANGIBLE ASSETS			
Goodwill	322	209	1,889
Software	1,743	2,338	21,118
Others	190	62	561
Total INTANGIBLE ASSETS	2,256	2,609	23,570
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1	8,502	10,771	97,296
Deferred tax assets	1,584	2,252	20,334
Guarantee deposits	857	931	8,413
Insurance funds	894	910	8,223
Others	1,791	1,629	14,715
Allowance for doubtful accounts	(552)	(504)	(4,558)
Total INVESTMENTS AND OTHER ASSETS	13,075	15,990	144,435
Total NONCURRENT ASSETS	33,306	36,825	332,627
Total ASSETS	¥ 207,638	¥ 237,004	\$ 2,140,771

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
CURRENT LIABILITIES:			
Notes and accounts payable-trade	¥ 70,188	¥ 79,854	\$ 721,292
Short-term loans payable	6,540	10,800	97,558
Accrued expenses	5,739	5,957	53,809
Income taxes payable	1,884	2,136	19,298
Provision for directors' bonuses	101	126	1,141
Others	9,201	9,642	87,097
Total CURRENT LIABILITIES	93,655	108,517	980,196
NONCURRENT LIABILITIES:			
Long-term loans payable	20,833	25,166	227,318
Deferred tax liabilities	1,378	1,685	15,220
Provision for directors' retirement benefits	95	106	960
Net defined benefit liabilities	1,969	2,272	20,530
Asset retirement obligations	329	343	3,099
Others	3,127	3,850	34,782
Total NONCURRENT LIABILITIES	27,732	33,424	301,912
Total LIABILITIES	121,388	141,942	1,282,109
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	109,597
Capital surplus	13,878	14,327	129,417
Retained earnings	55,091	64,568	583,224
Treasury stock	(2,005)	(1,984)	(17,923)
Total SHAREHOLDERS' EQUITY	79,097	89,045	804,315
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	0	1,378	12,454
Deferred gains or losses on hedges	28	50	457
Foreign currency translation adjustment	(707)	470	4,252
Remeasurements of defined benefit obligations	(133)	21	191
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	(812)	1,921	17,354
Non-controlling interests	7,965	4,095	36,992
Total NET ASSETS	86,250	95,062	858,662
Total LIABILITIES AND NET ASSETS	¥ 207,638	¥ 237,004	\$ 2,140,771

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, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
Net sales	¥ 443,615	¥ 422,365	\$ 3,815,063
Cost of sales ※2	396,598	374,428	3,382,068
Gross profit	47,016	47,936	432,994
Selling, general and administrative expenses ※1, 2	37,001	36,469	329,416
Operating income	10,014	11,467	103,578
NON-OPERATING INCOME			
Interest income	269	135	1,227
Dividend income	199	197	1,782
Commission fee	228	168	1,524
Foreign exchange gains	275	-	-
House rent income	126	116	1,056
Others	385	539	4,876
Total NON-OPERATING INCOME	1,485	1,158	10,467
NON-OPERATING EXPENSES			
Interest expenses	308	317	2,866
Share of loss of entities accounted for using equity method	905	627	5,664
Foreign exchange losses	-	359	3,248
Others	149	80	725
Total NON-OPERATING EXPENSES	1,362	1,384	12,504
Ordinary income	10,137	11,241	101,541
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	61	2	24
Gain on sales of investment securities	135	128	1,164
Gain on bargain purchase	-	7,963	71,930
Gain on transfer of business	12	7	63
Settlement received	498	-	-
Others	1	20	188
Total EXTRAORDINARY INCOME	709	8,122	73,371
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	12	101	920
Loss on sales of investment securities	57	36	330
Loss on valuation of investment securities	880	525	4,748
Special retirement expenses	199	24	220
Impairment loss	380	1,893	17,107
Provision of allowance for doubtful accounts	-	1,750	15,811
Estimated loss of funds from U.S. subsidiary	-	480	4,338
Others	30	78	713
Total EXTRAORDINARY LOSS	¥ 1,560	¥ 4,892	\$ 44,189

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
Income before income taxes	¥ 9,286	¥ 14,472	\$ 130,722
Income taxes-current	3,054	3,207	28,974
Income taxes-deferred	(61)	(51)	(462)
Total income taxes	2,992	3,156	28,511
Net income	6,293	11,315	102,210
Profit attributable to owners of the parent	5,852	11,399	102,969
Profit attributable to non-controlling interests	441	(84)	(758)
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	(1,018)	1,376	12,436
Deferred gains or losses on hedges	26	22	205
Foreign currency translation adjustment	(1,260)	1,218	11,004
Remeasurements of defined benefit obligations, net of tax	68	138	1,254
Share of other comprehensive income of entities accounted for using equity method	(104)	42	381
Total OTHER COMPREHENSIVE INCOME ※5	(2,288)	2,799	25,282
Comprehensive income	¥ 4,005	¥ 14,114	\$ 127,493
Comprehensive income attributable to:			
Owners of the parent	¥ 3,708	¥ 14,101	\$ 127,375
Non-controlling interests	297	13	117

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, 2021

Fiscal year ended March 31, 2020

	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	¥ 13,865	¥ 51,297	¥ (2,024)	¥ 75,272
Changes of items during period					
Dividends from surplus			(2,058)		(2,058)
Profit attributable to owners of the parent			5,852		5,852
Purchase of treasury stock				(0)	(0)
Disposal of treasury shares		12		19	31
Change in ownership interest of parent due to transactions with non-controlling interests				0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	12	3,793	18	3,825
Total	¥ 12,133	¥ 13,878	¥ 55,091	¥ (2,005)	¥ 79,097

	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	¥ 1,018	¥ 2	¥ 527	¥ (215)	¥ 1,332	¥ 7,654	¥ 84,259
Changes of items during period							
Dividends from surplus							(2,058)
Profit attributable to owners of the parent							5,852
Purchase of treasury stock							(0)
Disposal of treasury shares							31
Change in ownership interest of parent due to transactions with non-controlling interests							0
Net changes of items other than shareholders' equity	(1,017)	26	(1,234)	81	(2,144)	310	(1,834)
Total changes of items during period	(1,017)	26	(1,234)	81	(2,144)	310	1,990
Total	¥ 0	¥ 28	¥ (707)	¥ (133)	¥ (812)	¥ 7,965	¥ 86,250

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2021

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, 2021

Fiscal year ended March 31, 2021

	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	\$ 109,597	\$ 125,356	\$ 497,615	\$ (18,114)	\$ 714,455
Changes of items during period					
Dividends from surplus			(17,362)		(17,362)
Profit attributable to owners of the parent			102,969		102,969
Purchase of treasury stock				(13)	(13)
Disposal of treasury shares		74		205	280
Change in ownership interest of parent due to transactions with non-controlling interests		3,985			3,985
Net changes of items other than shareholders' equity					
Total changes of items during period	—	4,059	85,608	192	89,860
Total	\$ 109,597	\$ 129,417	\$ 583,224	\$ (17,923)	\$ 804,315

	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	\$ 1	\$ 257	\$ (6,390)	\$ (1,207)	\$ (7,338)	\$ 71,945	\$ 779,062
Changes of items during period							
Dividends from surplus							(17,362)
Profit attributable to owners of the parent							102,969
Purchase of treasury stock							(13)
Disposal of treasury shares							280
Change in ownership interest of parent due to transactions with non-controlling interests							3,985
Net changes of items other than shareholders' equity	12,452	199	10,664	1,398	24,692	(34,953)	14,432
Total changes of items during period	12,452	199	10,664	1,398	24,692	(34,953)	104,292
Total	\$ 12,454	\$ 457	\$ 4,252	\$ 191	\$ 17,354	\$ 36,992	\$ 858,662

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, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 9,286	¥ 14,472	\$ 130,722
Depreciation and amortization	2,754	3,167	28,613
Impairment loss	380	1,893	17,107
Amortization of goodwill	98	114	1,034
(Decrease) Increase in net defined benefit liability	8	(5)	(48)
(Decrease) Increase in provision for directors' retirement benefits	(1)	11	101
(Decrease) Increase in provision for directors' bonuses	30	25	225
Increase in allowance for doubtful accounts	0	1,607	14,521
Interest and dividend income	(469)	(413)	(3,731)
Interest expenses	308	317	2,866
Share of profit of entities accounted for using equity method	905	627	5,664
Gain on sales of property, plant and equipment	(43)	(0)	(5)
Loss on retirement of property, plant and equipment	12	101	920
Gain on sales of investment securities	(78)	(92)	(833)
Loss on valuation of investment securities	880	525	4,748
Gain on negative goodwill	-	(7,963)	(71,930)
Settlement received	(498)	-	-
Estimated loss of funds from U.S. subsidiary	-	480	4,338
(Increase) Decrease in notes and accounts receivable-trade	9,086	(4,303)	(38,870)
(Increase) Decrease in inventories	7,658	2,997	27,074
Decrease in notes and accounts payable-trade	(6,667)	1,495	13,512
Increase in accounts receivable-other	(1,149)	842	7,613
Increase in accrued expenses	384	(162)	(1,464)
Decrease (Increase) in advance payments	(1,431)	(349)	(3,154)
(Increase) Decrease in consumption taxes refund receivable	266	(164)	(1,482)
(Increase) Decrease in other current assets	93	(397)	(3,589)
Increase in other current liabilities	2,106	(1,206)	(10,897)
Others, net	(350)	130	1,179
Subtotal	23,571	13,754	124,236
Interest and dividend income received	481	342	3,095
Interest expenses paid	(316)	(322)	(2,910)
Income taxes paid	(1,829)	(3,295)	(29,764)
Settlement package received	498	-	-
Estimated loss of funds from U.S. subsidiary	-	(480)	(4,338)
Others, net	0	-	-
Net cash provided by (used in) operating activities	¥ 22,406	¥ 9,999	\$ 90,318

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (893)	¥ (905)	\$ (8,178)
Proceeds from withdrawal of time deposits	2,924	753	6,803
Purchase of property, plant and equipment	(3,276)	(2,514)	(22,713)
Proceeds from sales of property, plant and equipment	271	28	260
Purchase of intangible assets	(355)	(1,059)	(9,571)
Purchase of investment securities	(2,180)	(1,688)	(15,252)
Proceeds from sales of investment securities	651	723	6,539
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(321)	(351)	(3,174)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	2,707	24,455
Payments of short-term loans receivable	(551)	-	-
Collection of short-term loans receivable	1	(0)	1
Purchase of insurance funds	(2)	(11)	(106)
Proceeds from cancellation of insurance funds	59	58	530
Payments for guarantee deposits	(34)	(77)	(699)
Proceeds from collection of guarantee deposits	41	63	573
Other payments	(96)	(267)	(2,415)
Other proceeds	108	87	786
Net cash used in investing activities	(3,651)	(2,453)	(22,160)
NET CASH USED IN FINANCING ACTIVITIES			
Increase in short-term loans payable	(24,038)	(4,608)	(41,628)
Proceeds from long-term loans payable	20,266	5,000	45,163
Repayment of long-term loans payable	(1,312)	(1,279)	(11,558)
Purchase of treasury stock	(0)	(1)	(13)
Cash dividends paid	(2,056)	(1,922)	(17,363)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(3,441)	(31,085)
Others, net	(402)	(597)	(5,399)
Net cash (used in) provided by financing activities	(7,544)	(6,851)	(61,887)
Effect of exchange rate change on cash and cash equivalents	(748)	945	8,539
Net increase in cash and cash equivalents	10,461	1,639	14,810
Cash and cash equivalents-beginning balance	32,231	42,693	385,633
Cash and cash equivalents-ending balance ※1	¥ 42,693	¥ 44,333	\$ 400,444

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, 2021

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 ¥110.71 to \$1, the rate of exchange at March 31, 2021. 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 (53 in 2020 and 61 in 2021) (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 five 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 (15 in 2020 and 21 in 2021) 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 in 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 by 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.

i. Leases

The Company applies the lease accounting standard, which requires all finance lease transactions 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 charged 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. Accounting for consumption tax

Consumption tax on goods and services is not included in the revenue and expense amounts.

p. Application of Consolidated Taxation regime

The Company has adopted the consolidated taxation regime.

q. Application of tax effect accounting for the transition from a consolidated tax payment system to a group summation system

As for the items subject to review in conjunction with the transition to the combined group taxation system and the transition to the combined group taxation 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 "Treatment of Deferred Tax Assets and Deferred Tax Liabilities" (PITF No. 39, March 31, 2020).

r. Significant Accounting Estimates

1. Estimation of allowance for doubtful accounts for a significant outstanding balance due from a customer

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

	Millions of Yen	Thousands of U.S. Dollars
Total receivables	¥ 4,307	\$ 38,910
Allowance for doubtful accounts	1,750	15,811
Provision for allowance for doubtful accounts	1,750	15,811

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

For these receivables, the estimated uncollectible amount is recorded as allowance for doubtful accounts using the cash flow estimation method. The allowance is estimated by taking into consideration the estimated cash flow forecast of the customer. The estimated uncollectible amount may increase or decrease depending on the cash flow trends of the customer.

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
Investment securities	¥ 1,367	\$ 12,353
Loss on valuation of investment securities	525	4,748

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

With respect to unlisted securities stocks, 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 are sometimes acquired at a higher price than the net asset value, reflecting future economic benefits arising from the investee's operations. In light of the recent performance by the investee compared to the medium-to-long term business plan obtained at the time of acquisition and the reasonableness of future projections, if the projected future economic benefits are no longer expected, a valuation loss is recorded if the actual value considering the reduction in projected future economic benefits has significantly declined. 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. Standards and Guidance not yet adopted

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

- *Accounting Standard for Revenue Recognition (ASBJ Statement No.29, issued by the Accounting Standards Board of Japan on March 31, 2020)*
- *Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, issued by the Accounting Standards Board of Japan on March 26, 2021)*
- *Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 31, 2020)*

(1) Overview

The International Accounting Standards Board (IASB) and the U.S Financial Accounting Standards Board (FASB), which jointly developed comprehensive accounting standards for revenue recognition, announced in May 2014 the release of their respective new revenue standards, both of which are named

Revenue from Contracts with Customers (IASB: International Financial Reporting Standard 15 (IFRS 15); FASB: Topic 606). IFRS 15 is effective from annual reporting periods beginning on or after January 1, 2018; FASB Topic 606 is effective from annual reporting periods beginning after December 15, 2017. In light of this development, the Accounting Standards Board of Japan (ASBJ) developed and issued a comprehensive accounting standard for revenue recognition and its implementation guidance. In developing the accounting standard for revenue recognition, the ASBJ retained as its basic policy the objective of ensuring the comparability of financial statements, and as such established the standard to drive consistency with IFRS 15, starting by incorporating the basic principles of IFRS 15 and providing some further accounting treatment provisions pertinent to the Japanese business environment, to the extent that these do not impair comparability.

(2) Effective date

To be applied from the beginning of the fiscal year ending March 31, 2022

(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.

- *Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019)*
- *Accounting Standard for Measurement of Inventories (ASBJ Statement No.9, July 4, 2019)*
- *Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019)*
- *Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31, July 4, 2019)*
- *Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 31, 2020)*

(1) Overview

Under the circumstances that IASB and FASB have similar detailed guidance about fair value measurement (IFRS 13-Fair Value Measurement in IFRS and Topic 820 in the Accounting Standards Codification-Fair Value Measurement in U.S. GAAP), ASBJ has made efforts to make the Japanese standards consistent with international accounting standards, mainly regarding the guidance and disclosure of the fair value of financial instruments and has issued.

From the viewpoint of improving the comparability of financial statements between domestic and overseas companies by using a uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, ASBJ has basically incorporated all the provisions of IFRS 13 and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan.

(2) Effective date

To be applied from the beginning of the fiscal year ending March 31, 2022

(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.

t. Changes in presentation

(Adoption of "Accounting Standard of Disclosure of Accounting Estimates")

The "Accounting Standard of Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements for this fiscal year, and notes regarding significant accounting estimates are included in the consolidated financial statements. However, in the notes to the financial statements, in accordance with the transitional treatment prescribed in the proviso of paragraph 11 of the said accounting standard, the details related to the previous consolidated fiscal year are

not described.

(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.S. Dollars
	<u>2020</u>	<u>2021</u>	<u>2021</u>
Capital stock	¥ 1,061	¥ 1,022	\$ 9,236

※2. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥18 million and ¥12 million (US\$ 111 thousands) as of March 31, 2020 and 2021, respectively.

※3. *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>2020</u>	<u>2021</u>	<u>2021</u>
Total limit of contract	¥ 15,000	¥ 15,000	\$135,489
Loan balances	-	¥ 1,000	\$ 9,032
Available amounts	¥ 15,000	¥ 14,000	\$126,456

4. NOTES TO CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

※1. *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>2020</u>	<u>2021</u>	<u>2021</u>
Salaries and bonuses	¥ 16,366	¥ 16,682	\$ 150,684
Retirement benefit expenses	1,110	1,172	10,589
Provision for directors' retirement benefits	8	12	109
Provision for directors' bonuses	92	128	1,161
Provision for doubtful accounts	(39)	90	819

※2. *Research and development costs*

Research and development costs charged to income are ¥185 million and ¥ 191million (US\$ 1,728 thousands) for the years ended March 31, 2020 and 2021, respectively.

※3. *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
	2020	2021	2021
Buildings and structures	¥ —	¥ —	\$ —
Machinery, equipment and vehicles	41	0	3
Tools, furniture and fixtures	7	2	21
Land	11	—	—
Total	¥ 61	¥ 2	\$ 24

※4. *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
	2020	2021	2021
Buildings and structures	¥ 0	¥ 63	\$ 569
Machinery, equipment and vehicles	3	15	138
Tools, furniture and fixtures	7	10	97
Software	1	12	114
Total	¥ 12	¥ 101	\$ 920

※5. *Impairment loss*

For the year ended March 31, 2020

The description is not presented due to its insignificance.

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
		Machinery, equipment and vehicles	993	8,978	Components
		Tools, furniture and fixtures	24	217	
Hung Yen Province, Vietnam	Business property	Buildings and structures	65	594	Electronic
		Machinery, equipment and vehicles	106	962	Components
		Tools, furniture and fixtures	10	97	
		Construction in progress	48	439	
		Software	0	3	
Chiyoda-ku, Tokyo, Japan	Business property	Other (Investments and other assets)	49	448	
		Tools, furniture and fixtures	13	124	Electronic
		Software	53	484	Components
		Other (Intangible assets)	1	14	
Chiyoda-ku, Tokyo, Japan	Business property	Other (Investments and other assets)	1	10	
		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 the 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.

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2020</u>	<u>2021</u>	<u>2021</u>
Net unrealized gain or loss on securities			
Amount arising during the period	¥ (1,174)	¥ 1,826	\$ 16,494
Amount of reclassification	(115)	121	1,097
Net gain before income tax effect	(1,289)	1,947	17,952
Income tax effect	271	(570)	(5,155)
Net unrealized gain or loss on securities, net of Tax	(1,018)	1,376	12,436
Deferred gains or losses on hedges			
Amount arising during the period	40	49	446
Amount of reclassification	(2)	(40)	(362)
Net gain before income tax effect	37	9	83
Income tax effect	(11)	13	121
Deferred gains or losses on hedges	26	22	205
Foreign currency translation adjustment			
Amount arising during the period	(1,260)	1,205	10,889
Amount of reclassification	-	12	114
Foreign currency translation adjustment	(1,260)	1,218	11,004
Remeasurements of defined benefit obligations			
Amount arising during the period	47	146	1,322
Amount of reclassification	51	43	392
Net gain before income tax effect	98	189	1,715
Income tax effect	(30)	(50)	(460)
Remeasurements of defined benefit obligations	68	138	1,254
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the period	(104)	42	381
Total other comprehensive income	¥ (2,288)	¥ 2,799	\$ 25,282

5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2020

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

	Number of shares as of April 1, 2019	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2020
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,254,924	358	12,003	1,243,279

Note:

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

Increase as a result of fractional share repurchases: 358 shares

Decrease as a result of the disposition of fractional share: 42 shares

Decrease as a result of the payment of restricted stock to our directors: 11,900 shares

Company's portion of treasury shares (shares of the company) held by an equity-method associate: 61 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 27, 2019	Common stock	1,235 (US\$11,350 thousand)	45 (US\$0.41)	March 31, 2019	June 28, 2019
Board of Directors' meeting held on November 7, 2019	Common stock	823 (US\$7,566 thousand)	30 (US\$0.27)	September 30, 2019	December 6, 2019

(2) Dividends whose effective date is after March 31, 2020 with record date during the year ended March 31, 2020.

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 26, 2020	Common stock	1,098 (US\$10,093 thousand)	Retained earnings	40 (US\$0.36)	March 31, 2020	June 29, 2020

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 thousand)	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 thousand)	30 (US\$0.27)	September 30, 2020	December 4, 2020

(2) Dividends whose effective date is after March 31, 2021 with a 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 thousand)	Retained earnings	50 (US\$0.45)	March 31, 2021	June 30, 2021

6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

- ※1. Cash and cash equivalents at March 31, 2020 and 2021 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash and bank deposits	¥ 43,384	¥ 45,636	\$ 412,218
Time deposits with a deposit period of more than 3 months	(691)	(1,303)	(11,774)
Cash and cash equivalents	¥ 42,693	¥ 44,333	\$ 400,444

- ※2. Major breakdown of assets and liabilities of a company that became a new consolidated subsidiary due to the acquisition of shares in the current fiscal year.

Breakdown of assets and liabilities at the start of consolidation as a result of the consolidation of Excel Co., Ltd. (hereinafter “Excel”) as well as the relationship between the acquisition price of Excel shares and the net expenditures for the acquisition of Excel is as follows.

	Millions of Yen	Thousands of U.S. Dollars
Current Assets	¥ 24,358	\$ 220,023
Non Current Assets	1,636	14,781
Current Liabilities	(17,281)	(156,097)
Non Current Liabilities	(361)	(3,261)
Negative goodwill	(7,963)	(71,930)
Acquisition cost of Excel	389	3,516
Cash and cash equivalents of Excel	(3,096)	(27,971)
Deduction: Purchase of shares of Excel	2,707	24,455

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, 2020 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Due within one year	¥ 19	¥ 17	\$ 155
Due after one year	23	7	65
Total	¥ 42	¥ 24	\$ 220

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) *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.

Cash and cash equivalents, receivables and payables, short-term bank loans, accrued expenses, income taxes payables

The carrying value of the above accounts approximate fair value because of their short maturities.

Guarantee deposits

The fair value of guaranteed deposits is calculated by the contract amount the supplier presented or calculated from past experience and discounted at a risk free rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 9.

Long-term loans payable

The fair value of long-term loans payable is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 10.

(a) Fair Value of Financial Instruments

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 43,384	¥ 43,384	¥ —
Notes and accounts receivable - trade	85,495		
Electronically recorded monetary claims	5,876		
Allowance for doubtful accounts ※1	(188)		
	91,183	91,183	—
Short-term investment securities	254	254	—
Investment securities	6,449	6,449	—
Guarantee deposits	529	365	(164)
Total	¥141,801	¥141,637	¥ (164)
Notes and accounts payable-trade	¥ 70,188	¥ 70,188	¥ —
Short-term loans payable	6,540	6,540	—
Accrued expenses	5,739	5,739	—
Income taxes payable	1,884	1,884	—
Long-term loans payable	20,833	20,882	(49)
Total	¥105,186	¥105,235	¥ (49)
Derivatives ※2	¥ 34	¥ 34	¥ —

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

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

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 45,636	¥ 45,636	¥ —
Notes and accounts receivable-trade	103,773		
Electronically recorded monetary claims	4,621		
Allowance for doubtful accounts ※1	(2,024)		
	106,370	106,370	—
Short-term investment securities	302	302	—
Investment securities	8,229	8,229	—
Guarantee deposits	517	359	(157)
Total	¥161,056	¥160,898	¥ (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	25,166	25,158	7
Total	¥123,915	¥123,907	¥ 7
Derivatives ※2	¥ 27	¥ 27	¥ —

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

※2 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

Cash and bank deposits	\$ 412,218	\$ 412,218	\$ —
Notes and accounts receivable-trade	937,345		
Electronically recorded monetary claims	41,741		
Allowance for doubtful accounts ※1	(18,288)		
	<u>960,799</u>	<u>960,799</u>	<u>—</u>
Short-term investment securities	2,736	2,736	—
Investment securities	74,331	74,331	—
Guarantee deposits	<u>4,670</u>	<u>3,251</u>	<u>(1,418)</u>
Total	<u>\$ 1,454,755</u>	<u>\$ 1,453,337</u>	<u>\$ (1,418)</u>
Notes and accounts payable-trade	\$ 721,292	\$ 721,292	\$ —
Short-term loans payable	97,558	97,558	—
Accrued expenses	53,809	53,809	—
Income taxes payable	19,298	19,298	—
Long-term loans payable	227,318	227,251	67
Total	<u>\$ 1,119,277</u>	<u>\$ 1,119,209</u>	<u>\$ 67</u>
Derivatives ※2	<u>\$ 252</u>	<u>\$ 252</u>	<u>\$ —</u>

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

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

(b) Financial Instruments whose Fair Value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Shares of subsidiaries and related companies	¥ 1,061	¥ 1,022	\$ 9,236
Investments in equity instruments that do not have a quoted market price in an active market	¥ 991	¥ 1,519	13,728
Guarantee deposits that do not have a quoted market price in an active market	327	414	3,742

(5) *Redemption Schedule of Monetary Assets and Securities with Contractual Maturities*

March 31, 2020

	Millions of Yen			
	Over 1 year		Over 5 years	
	Within 1 year	within 5 years	within 10 years	Over 10 years
Cash and bank deposits	¥ 43,384	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	85,495	—	—	—
Electronically recorded monetary claims	5,876	—	—	—
Investment securities with maturities	16	107	—	—
Guarantee deposits	38	134	1	191
Total	¥ 134,811	¥ 241	¥ 1	¥ 191

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

		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	\$	412,218	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		937,345	—	—	—
Electronically recorded monetary claims		41,741	—	—	—
Investment securities with maturities		150	1,034	—	—
Guarantee deposits		341	1,211	—	1,725
Total	\$	1,391,796	\$ 2,245	\$ —	\$ 1,725

(6) The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2020 and 2021 is as follows:

March 31, 2020

		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	¥	5,260	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,279	668	5,032	5,032	5,100	5,000
Total	¥	6,540	¥ 668	¥ 5,032	¥ 5,032	¥ 5,100	¥ 5,000

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
Total	¥	10,800	¥ 5,033	¥ 5,033	¥ 5,100	¥ 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	\$	91,518	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		6,040	45,463	45,463	46,066	45,163	45,163
Total	\$	97,558	\$ 45,463	\$ 45,463	\$ 46,066	\$ 45,163	\$ 45,163

9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2020 and 2021 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unrealized gains included in net income for the year	¥ (7)	¥ 48	\$ 441

(2) Investment securities with a readily determinable fair value

March 31, 2020

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 2,480	¥ 1,180	¥ 1,300
Government and corporate bonds	10	10	0
Others	160	149	10
Subtotal	¥ 2,651	¥ 1,339	¥ 1,311
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	2,874	3,597	(722)
Government and corporate bonds	97	102	(4)
Others	825	997	(172)
Subtotal	¥ 3,797	¥ 4,697	¥ (899)
Total	¥ 6,449	¥ 6,037	¥ 411

Note:

Non-marketable equity securities of ¥838 million, Investments in associated companies of ¥152 million, and Shares of subsidiaries and related companies of ¥ 1,061 million are not included in the above due to difficulty in estimating fair value as market price is not available.

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

	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	\$ 38,269	\$ 14,864	\$ 23,405
Government and corporate bonds	1,034	1,015	18
Others	10,057	6,555	3,502
Subtotal	<u>\$ 49,361</u>	<u>\$ 22,435</u>	<u>\$ 26,926</u>
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	21,906	29,127	(7,220)
Government and corporate bonds	—	—	—
Others	3,062	3,216	(153)
Subtotal	<u>\$ 24,969</u>	<u>\$ 32,343</u>	<u>\$ (7,374)</u>
Total	<u>\$ 74,331</u>	<u>\$ 54,779</u>	<u>\$ 19,552</u>

Note:

Non-marketable equity securities of ¥1,367 million (US\$ 12,353 thousands), Investments in associated companies of ¥152 million (US\$ 1,375 thousands), and Shares of subsidiaries and related companies of ¥ 1,022 million (US\$ 9,236 thousands) are not included in the above due to difficulty in estimating fair value as market price is not available.

(3) Investment securities sold during 2020 and 2021

March 31, 2020

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 218	¥ 135	¥ (39)
Government and corporate bonds	—	—	—
Others	294	—	(17)
Total	<u>¥ 513</u>	<u>¥ 135</u>	<u>¥ (57)</u>

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	<u>¥ 509</u>	<u>¥ 128</u>	<u>¥ (36)</u>

	Thousands of U.S. Dollars		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	\$ 2,124	\$ 1,164	\$ —
Government and corporate bonds	—	—	—
Others	2,474	—	(330)
Total	<u>\$ 4,599</u>	<u>\$ 1,164</u>	<u>\$ (330)</u>

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

	Millions of Yen	Thousands of U.S. Dollars
	2020	2021
	<u>¥ 880</u>	<u>¥ 525</u>
		<u>\$ 4,748</u>

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, 2020</u>	<u>Hedged Item</u>	<u>Amount</u>	<u>One Year</u>	<u>Value</u>
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 2,788	¥ —	¥ (10)
Selling CNY	Receivables	36	—	(0)
Buying USD	Payables	2,551	—	45
Buying CNY	Payables	1	—	(0)
Total		¥ 5,377	¥ —	¥ 34

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2021</u>	<u>Hedged Item</u>	<u>Amount</u>	<u>One Year</u>	<u>Value</u>
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

		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
	<u>Hedged Item</u>	<u>Amount</u>	<u>One Year</u>	<u>Value</u>
Foreign currency forward contracts:				
Selling USD	Receivables	\$ 40,735	\$ —	\$ (550)
Selling CNY	Receivables	1,078	—	(43)
Buying USD	Payables	20,612	—	918
Buying CNY	Payables	4	—	0
Buying EUR	Payables	2	—	(0)
Total		\$ 62,434	\$ —	\$ 324

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions. The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(2) Interest related transactions

For the year ended March 31, 2020

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	¥ 13,481	¥ 13,093	(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, 2021

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	¥ 13,093 (\$ 118,270)	¥ 12,900 (\$ 116,520)	(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, 2020 and 2021 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Retirement benefit obligation at the beginning of the year	¥ 6,760	¥ 6,971	\$ 62,967
Increase from newly consolidated subsidiary	—	879	7,941
Service cost	452	482	4,361
Interest cost	24	40	370
Actuarial gains (losses)	(75)	(61)	(557)
Benefits paid	(216)	(330)	(2,986)
Others	26	4	39
Retirement benefit obligation at the end of the year	¥ 6,971	¥ 7,987	\$ 72,144

(b) Changes in the plan assets for the years ended March 31, 2020 and 2021 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Plan assets at fair value at the beginning of the year	¥ 5,918	¥ 6,274	\$ 56,673
Increase from newly consolidated subsidiary	—	611	5,519
Expected return on plan assets	112	125	1,137
Actuarial gains (losses)	(25)	129	1,165
Contributions by the employer	443	406	3,674
Benefits paid	(216)	(238)	(2,156)
Others	41	2	22
Plan assets at fair value at the end of the year	¥ 6,274	¥ 7,310	\$ 66,036

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2020 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net defined benefit liabilities at the beginning of the year	¥ 1,155	¥ 1,252	\$ 11,313
Increase from newly consolidated subsidiary	46	254	2,302
Retirement benefit expenses	175	247	2,239
Retirement benefits paid	(110)	(91)	(828)
Contributions to plan	(14)	(90)	(815)
Others	—	(7)	(68)
Net defined benefit liabilities at the end of the year	¥ 1,252	¥ 1,565	\$ 14,143

- (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, 2020 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Retirement benefit obligation of funded plans	¥ 7,452	¥ 9,166	\$ 82,798
Plan assets	<u>(6,409)</u>	<u>(8,090)</u>	<u>(73,078)</u>
	1,042	1,076	9,720
Retirement benefit obligation of unfunded plans	<u>906</u>	<u>1,166</u>	<u>10,532</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,949</u>	<u>¥ 2,242</u>	<u>\$ 20,252</u>
Net defined benefit liabilities	<u>1,949</u>	<u>2,242</u>	<u>20,252</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,949</u>	<u>¥ 2,242</u>	<u>\$ 20,252</u>

- (e) Components of retirement benefit expenses for the years ended March 31, 2020 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Service cost	¥ 452	¥ 488	\$ 4,415
Interest cost	24	40	370
Expected return on plan assets	(112)	(125)	(1,134)
Amortization of actuarial loss	48	43	394
Redundancy pay	15	21	192
Retirement benefit expenses calculated based on the simplified method	175	247	2,239
Others	<u>26</u>	<u>9</u>	<u>82</u>
Retirement benefit expenses for defined benefit pension plans	<u>¥ 630</u>	<u>¥ 727</u>	<u>\$ 6,567</u>

- (f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2020 and 2021 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
	2020	2021	2021
Prior service cost	¥ —	¥ —	\$ —
Actuarial gains and losses	<u>98</u>	<u>189</u>	<u>1,715</u>
Total	<u>¥ 98</u>	<u>¥ 189</u>	<u>\$ 1,715</u>

(g) Remeasurements of defined benefit obligations as of March 31, 2020 and 2021 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>2020</u>	<u>2021</u>	<u>2021</u>
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains or losses	<u>211</u>	<u>18</u>	<u>166</u>
Total	<u>¥ 211</u>	<u>¥ 18</u>	<u>\$ 166</u>

(h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	<u>2020</u>	<u>2021</u>
General accounts	78.02%	79.39%
Other	<u>21.98%</u>	<u>20.61%</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>2020</u>	<u>2021</u>
Discount rate	0.42~0.46%	0.46~0.67%
Expected long-term rate of return	1.20~2.50%	0.87~2.50%

(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>2020</u>	<u>2021</u>	<u>2021</u>
	¥ 609	¥ 610	\$ 5,514

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, 2020 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 750	¥ 847	\$ 7,659
Retirement benefits for directors and corporate auditors	29	33	299
Retirement benefits for directors (and other officers)	401	401	3,624
Allowance for doubtful accounts	206	723	6,534
Accrued bonuses	758	763	6,899
Net defined benefit liability	588	710	6,419
Tax loss carryforwards	1,582	2,522	22,783
Devaluation of inventories	337	280	2,533
Impairment loss	256	804	7,269
Deferred tax assets of the planned liquidation company	105	106	962
Others	1,748	2,219	20,046
Sub-total	6,765	9,414	85,033
Valuation allowance on tax loss carryforwards	(1,149)	(1,165)	(10,530)
Valuation allowance on deductible temporary differences	(2,629)	(3,899)	(35,225)
Less valuation allowance—total	(3,778)	(5,065)	(45,756)
Deferred tax assets—total	2,986	4,348	39,277
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(2,018)	(2,267)	(20,480)
Unrealized gain on property and equipment	(116)	(101)	(921)
Unrealized gain on available-for-sale securities	(402)	(972)	(8,788)
Advanced depreciation on fixed assets	(187)	(179)	(1,623)
Others	(55)	(258)	(2,339)
Deferred tax liabilities—total	(2,780)	(3,781)	(34,153)
Net deferred tax assets	¥ 205	¥ 567	\$ 5,124

(Note)

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

March 31, 2020

	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※	¥ 17	¥ 102	¥ 118	¥ 155	¥ 171	¥ 1,017	¥ 1,582
Less valuation allowance	(17)	(102)	(111)	(75)	(131)	(710)	(1,149)
Deferred tax assets	—	—	6	80	39	307	433

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

Thousands of U.S. Dollars						
Within	Over 1 year	Over 2 years	Over 3 years	Over 4 years	Over	Total

	1 year	within 2 years	within 3 years	within 4 years	within 5 years	5 years	
Tax loss carryforwards※	\$ 924	\$ 1,073	\$ 1,128	\$ 837	\$ 1,221	\$ 17,598	\$ 22,783
Less valuation allowance	(924)	(1,018)	(647)	(641)	(988)	(6,311)	(10,530)
Deferred tax assets	—	55	481	195	233	11,286	12,252

※ 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, 2020 and 2021 is as follows:

	2020	2021
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.4	0.3
Tax benefits not recognized on operating losses of subsidiaries	0.1	7.5
Difference in tax rates of foreign subsidiaries	(9.1)	(4.9)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	2.5	2.2
Change in valuation allowance	4.8	(0.4)
Share of loss of entities accounted for using equity method	3.0	1.3
Gain on bargain purchase	—	(16.8)
Others, net	(1.1)	2.0
Actual effective tax rate	32.2	21.8

13. BUSINESS COMBINATIONS

1. Overview of Business Combination

2.

(1) Name of Acquired Company and Description of its Business

Name of Acquired Company: Excel Co., Ltd.

Description of its Business: Sales, import and export of liquid-crystal display (“LCD”) devices, ICs, semiconductor devices, or other electronic components and devices etc.

(2) Reason for the business combination

Since our establishment, our business has expanded to respond to the various needs of our customers based on the “Everything we do is for our customers” business philosophy. The business domain includes the sale of electronic components and semiconductors as an independent electronics general trading company, and the Electronic Manufacturing Services (EMS) business that specializes in a wide variety of high mix and low volume products as well as the information equipment business. We offer a variety of services both domestically and abroad.

On the other hand, the electronic trading companies are in a business environment where on the supplier side, the semiconductor and devices makers are consolidating and restructuring their business by rebuilding the policy of their distribution agents, while on the customer side, the set makers are transferring their manufacturing plants of finished goods assembly to overseas, impacted by the treaty policy between the US and China and other uncertainties of the world economy, such as the changes in domestic and overseas demands, frequent price fluctuations, and the shortened life cycle of products due to technology innovation. Furthermore, with accelerated changes of the business environment and numerous competitors in the industry, the Company realized that the competition to survive becomes increasingly severe.

Under these circumstances, the Company formulated “Mid-term Business Plan 2021” (announced on November 6, 2018), and featured “To become ‘Japan’s No.1 corporate group in the industry’” and furthermore “To aim to become a competitive world class company” as mid-and long term management vision by establishing “profit-oriented management”. We are working to strengthen our revenue base, stabilize our management base and create new businesses. In January, 2019, we acquired Fujitsu Electronics, the core trading company of Fujitsu Group and expanded our trading company business. In addition, we acquired Towada Pioneer Corporation (Now Kaga EMS Towada CO., LTD.) to strengthen the manufacturing business. Recently, we decided to acquire Excel CO., LTD based on the stock transfer contract with City Index Eleventh Co., to execute our growth strategy. Excel Co., LTD’

suppliers in Japan and overseas, where they have strength in the field of LCD devices, and its customers in China contributed to the development of our growth strategy.

By welcoming Excel, who deals with electronic devices including LCD, semiconductors and integrated circuits, to our group, we expect the following merits:

- (a) Expansion of share in the electronic components and semiconductor business
By complementing our trading products and sales channels, we expect synergies and aim to strengthen our ability to respond to customer needs and expand our share in the electronic components and semiconductor markets. Specifically, we can sell to our customers more LCD products where Excel has its strength or we can sell our products to Excel's customers in China.
- (b) Expansion of EMS business scale
By sharing our global network of EMS bases and expanding it to Excel's customers, we aim to make our EMS business more profitable.
- (c) Acquisition of new business.
By taking in Excel Co. LTD's promising business such as business related to EV, we accelerate to commercialize these businesses with our group's overall competitiveness.
- (d) Further improvement of management efficiency associated with business collaboration between the two companies
We will improve the profitability of both companies by optimizing the sales-related functions of the Company and Excel and maximizing the mutual utilization.

Through the acquisition of these shares, we now solidified its position as "Japan's No. 1 corporate group in the industry" as targeted in the medium-term management plan. We will continue to improve the scale and quality of our management group in order to grow further as a "global-class company" that can compete with the trillion-yen competitors from overseas.

- (3) Business combination date
April 1, 2020
 - (4) Legal form of business combination
Acquisition of shares for cash consideration
 - (5) Name of company after combination
EXCEL CO., LTD.
 - (6) Ratio of voting rights acquired
100.0%
 - (7) Main reasons for deciding on the acquirer
Because the Company acquired shares for cash
3. Period of performance of acquired company included in consolidated financial statements
From April 1, 2020 to March 31, 2021
4. Breakdown of acquisition costs and types of consideration for acquired company
Acquisition price Cash ¥389 million (US\$ 3,516 thousands)
5. Content and amount of major acquisition-related expenses
Remuneration, fee, etc. for Advisory ¥176 million (US\$ 1,596 thousands)
6. Amount and cause of gain on bargain purchase
- (1) Amount of gain on bargain purchase
¥7,963 million (US\$ 71,930 thousands)
The Company recorded an adjustment to the provisional amounts by the end of this fiscal year. Therefore, the provisional gain on bargain purchase of ¥8,007 million (\$72,331 thousand) was reduced by ¥44 million (\$401 thousand) to ¥7,963 million (\$71,930 thousand).
 - (2) Reason of occurrence
As the market value of net assets at the time of acquisition of shares exceeded the acquisition cost, the difference was recognized as gain on bargain purchase.
7. Amount of assets acquired and liabilities assumed on business combination date and main breakdown
- | | | |
|-------------------|-----------------|--------------------------|
| Current assets | ¥24,358 million | (US\$ 220,023 thousands) |
| Noncurrent assets | 1,636 million | (14,781 thousands) |

Total assets	25,995 million (234,805 thousands)
Current liabilities	17,281 million (156,097 thousands)
Noncurrent Liabilities	361 million (3,261 thousands)
Total Liabilities	17,642 million (159,358 thousands)

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							
	2020							
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
Electronic Components	Information Equipment	Soft- ware	Other	Total				
Sales:								
Sales to external customers	¥ 377,587	¥ 43,466	¥ 2,778	¥ 19,781	¥ 443,615	¥ —	¥ 443,615	
Inter segment sales or transfers	2,337	1,745	765	3,514	8,362	(8,362)	—	
Total sales	¥ 379,925	¥ 45,211	¥ 3,544	¥ 23,295	¥ 451,977	¥ (8,362)	¥ 443,615	
Segment profit (loss)	¥ 7,503	¥ 1,707	¥ 236	¥ 452	¥ 9,900	¥ 114	¥ 10,014	
Segment assets	187,750	16,575	1,799	12,016	218,141	(10,503)	207,638	
Others:								
Depreciation	1,883	54	48	145	2,132	(6)	2,125	
Increase in property, plant and equipment and intangible assets	2,774	144	21	813	3,754	(123)	3,631	

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	

Thousands of U.S. Dollars								
2021								
Reportable Segment						Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
	Electronic Components	Information Equipment	Soft- ware	Other	Total			
Sales:								
Sales to external customers	\$ 3,192,615	\$ 437,081	\$ 26,490	\$ 158,876	\$ 3,815,063	\$ —	\$ 3,815,063	
Inter segment sales or transfers	27,300	38,399	10,646	42,580	118,927	(118,927)	—	
Total sales	\$ 3,219,915	\$ 475,481	\$ 37,136	\$ 201,457	\$ 3,933,990	\$ (118,927)	\$ 3,815,063	
Segment profit (loss)	\$ 73,628	\$ 22,421	\$ 2,380	\$ 4,285	\$ 102,715	\$ 863	\$ 103,578	
Segment assets	1,944,937	165,917	18,758	100,643	2,230,256	(89,485)	2,140,771	
Others:								
Depreciation	20,534	461	511	1,414	22,923	(68)	22,855	
Increase in-property, plant and equipment and intangible assets	28,358	2,538	846	1,661	33,405	(1,120)	32,284	

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

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Elimination of inter-segment trade	¥ 114	¥ 95	\$ 863
Amortization of goodwill	—	—	—
Total	¥ 114	¥ 95	\$ 863

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Elimination of inter-segment trade	¥ (12,507)	¥ (12,168)	\$ (109,909)
Reconciliations	<u>2,004</u>	<u>2,261</u>	<u>20,424</u>
Total	<u>¥ (10,503)</u>	<u>¥ (9,906)</u>	<u>\$ (89,485)</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
	2020	2021	2021
Elimination of inter-segment trade	¥ (6)	¥ (7)	\$ (68)
Total	<u>¥ (6)</u>	<u>¥ (7)</u>	<u>\$ (68)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Elimination of inter-segment trade	¥ (123)	¥ (124)	\$ (1,120)
Total	<u>¥ (123)</u>	<u>¥ (124)</u>	<u>\$ (1,120)</u>

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, 2020

(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				
2020				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥ 270,585	¥ 26,894	¥ 20,019	¥ 126,115	¥ 443,615

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

(b) Property, plant and equipment

Millions of Yen				
2020				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥11,254	¥ 983	¥ 174	¥ 5,561	¥ 17,974

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, 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				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥ 240,240	¥ 22,698	¥ 13,622	¥ 145,804	¥ 422,365

Thousands of U.S. Dollars				
2021				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 2,169,994	\$ 205,027	\$ 123,048	\$ 1,316,992	\$ 3,815,063

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

(b) Property, plant and equipment

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

Thousands of U.S. Dollars				
2021				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 105,577	\$ 1,038	\$ 1,431	\$ 56,574	\$ 164,621

- 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, 2020

Millions of Yen					
2020					
Reportable Segment					
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	¥ 245	¥ —	¥ —	¥ 135	¥ 380

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

Thousands of U.S. Dollars					
2021					
Reportable Segment					
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	\$ 16,609	\$ —	\$ —	\$ 497	\$ 17,107

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

For the year ended March 31, 2020

Millions of Yen							
Reportable Segment						Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Software	Other	Total		
Amortization of goodwill for fiscal year	¥ 97	¥ —	¥ 1	¥ —	¥ 98	¥ —	¥ 98
Balance of goodwill at the end of fiscal year	322	—	—	—	322	—	322

For the year ended March 31, 2021

Millions of Yen							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Soft- Ware	Other	Total		
Amortization of goodwill for fiscal year	¥ 114	¥ —	¥ —	¥ —	¥ 114	¥ —	¥ 114
Balance of goodwill at the end of fiscal year	209	—	—	—	209	—	209

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	\$ 1,034	\$ —	\$ —	\$ —	\$ 1,034	\$ —	\$ 1,034
Balance of goodwill at the end of fiscal year	1,889	—	—	—	1,889	—	1,889

Information of gain on negative goodwill by reportable segments

For the year ended March 31, 2020

No significant items to be reported.

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

15. RELATED PARTY TRANSACTIONS

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

For the year ended March 31, 2020

Principal transactions between the Company and its related party for the year ended March 31, 2020 are summarized as follows:

(Amount unit: Millions of yen)										
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 13.95%	Sales of finished products	Sales of finished products (Note)	¥6,344	Electronically- recorded monetary claims	¥1,311
									Accounts receivable	¥2,026

Note:

Trade condition and policy

Sales contracts are entered into between Sankyo and the Company, and the sales price of products is determined based on the discussions between those two parties.

For the year ended March 31, 2021

The description is not presented due to its insignificance.

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

For the year ended March 31, 2020

Principal transactions between the Company's director and its related party for the year ended March 31, 2020 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, 2020
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda-ku, Tokyo	¥74	Management of restaurant and convenience store	—	Interlocking directorate	Purchasing gifts (Note)	¥13	—	—

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

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, 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, 2021
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda-ku, Tokyo	¥10 (\$90)	Management of restaurant and convenience store	—	Interlocking directorate	Purchasing goods, Purchasing gifts (Note)	¥24 (\$217)	—	—

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
	2020	2021	2021
Net assets per share	¥ 2,850.99	¥ 3,311.24	\$ 29.91
Net income per share	213.21	415.07	3.75

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
	2020	2021	2021
Net income per share			
Profit attributable to owners of the parent	¥ 5,852	¥ 11,399	\$ 102,969
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	5,852	11,399	102,969
Average number of common stock outstanding during the fiscal year (Share)	27,449,833	27,465,021	
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
	2020	2021	2021
Net assets per share			
Total net assets	¥ 86,250	¥ 95,062	\$ 858,662
Amount deducted from total net assets (Non-controlling interests)	7,965 (7,965)	4,095 (4,095)	36,992 (36,992)
Net assets corresponding to common stock at the end of the fiscal year	78,284	90,967	821,669
Number of common stock shares used for the calculation of net assets per share (Share)	27,458,839	27,472,241	

17. SIGNIFICANT SUBSEQUENT EVENTS

(Share Repurchase)

The Company has decided, at the Board of Directors meeting held on August 5, 2021, to repurchase shares of its common stock and to establish a specific method of purchasing its own shares, pursuant to Article 156 of the Company Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act. On August 6, 2021, the Company carried out the repurchase of its common stock and the purchase of its own shares was completed.

- Reason for Repurchase
To enable flexible execution of capital policies in response to business environment changes
- Resolution on repurchase of own shares
 - Class of shares to be repurchased
Common shares
 - Total number of shares to be repurchased
Up to 1,300,000 shares

- (3) Aggregate repurchase amount
Up to 3,877,900,000 yen (US\$ 35,027 thousands)
 - (4) Repurchase date
August 6, 2021
 - (5) Method of Repurchase
The Company placed a purchase order for its shares through brokerages on the Tokyo Stock Exchange Trading Network Off Action Own Share Repurchase Trading System (ToSTNeT-3). The purchase order was limited to defined trading hours only, and no changes to the trading system or trading time was made.
3. Details of Repurchase
- (1) Class of shares to be repurchased
Common shares
 - (2) Total number of shares repurchased
1,231,700 shares
 - (3) Aggregate repurchase amount
3,614,161,100 yen (US\$ 32,645 thousands)
 - (4) Repurchase date
August 6, 2021
 - (5) Method of Repurchase
Repurchase through the Tokyo Stock Exchange Trading Network Off Action Own Share Repurchase Trading System (ToSTNeT-3)

(Regarding the Possibility of Claims against EuroTec Japan, Inc., Becoming Uncollectible)

The Company hereby announces the possibility that collection of its claims against its business partner, EuroTec Japan, Inc. (hereinafter “EuroTec”), may become impossible or delayed accompanying EuroTec’s filing for the initiation of civil rehabilitation proceedings with the Osaka District Court on August 31, 2021, as described below.

- 1. Overview of Other Party
 - (1) Name
EuroTec Japan, Inc.
 - (2) Location
2926 Shirahamacho, nishimuro-gun, Wakayama
 - (3) Name and Job Title of Representative
Tsunemasa Koie, President
 - (4) Business Description
Export, import, sale, and lease of aircraft and related parts
 - (5) Capital
60 million yen (US\$ 541 thousands)
 - (6) Date of Establishment
July 29, 2010
 - (7) Relationship with the Company
 - (a) Capital Relationship
None
 - (b) Personal Relationship
Two employees of the Company have been dispatched as executives
 - (c) Business Relationship
Sales transactions in aircraft and related parts
 - (d) Related party status
None
- 2. Types and Amounts of Claims against EuroTec (as of August 30, 2021)
 - (1) Loans, etc. : approx. 1.9 billion yen (US\$ 17,161 thousands)

(2) Inventory: approx. 3.9 billion yen* (US\$ 35,227 thousands)

*Future sale of inventory to EuroTec is expected to generate approximately 4.2 billion yen in receivables.

3. Background and Future Outlook

The company recently received a request for aid from EuroTec after conducting business with EuroTec while exploring the prospect of entering the rotary-wing aircraft business in which EuroTec is involved. EuroTec's business is in line with the direction that the Company intends to grow in the future, and the Company expects collaboration between EuroTec's manufacturing and technical capabilities and the Company's planning and sales capabilities to more closely meet customers' needs. Furthermore, there is a substantial societal need for the rebuilding of EuroTec and the continuity of its business in light of the public aspects of its business such as transactions with local governments. Accordingly, the Company has decided to discuss and deliberate on supporting EuroTec.

Going forward, the Company will proceed with negotiations with EuroTec regarding support conditions and schemes and promptly support EuroTec's business through appropriate mechanisms provided that the prescribed procedures such as the approval by an oversight committee are carried out. In addition, in order to support EuroTec, the Company will execute a loan agreement with EuroTec and provide EuroTec with the financial support it requires.

4. Impact on Earnings

The impact of this matter on the Company's full-year consolidated earnings is still under evaluation. Among the claims described above, the loans, etc. have already been declared as allowance for the fiscal year ended March 31, 2021, as well as the first quarter of the fiscal year ended March 31, 2022. Furthermore, collection related to the inventory for EuroTec is anticipated based upon the Company's fulfillment of its responsibility as a supplier and completion of delivery to customers through the civil rehabilitation support.

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
	2020	2021	2021		
Short-term loans payable	¥ 5,260	¥ 10,131	\$ 91,518	0.77%	—
Current portion of long-term loans payable	1,279	668	6,040	0.83%	—
Current portion of lease obligations	418	699	6,322	3.01%	—
Long-term loans payable (excluding current portion)	20,833	25,166	227,318	0.48%	2022 to 2027
Lease obligations (excluding current portion)	944	1,594	14,398	2.23%	2021 to 2026
Other interest-bearing debt	—	—	—	—	—
Total	¥ 28,736	¥ 38,261	\$ 345,597		

Notes:

1. Interest rates are stated at weighted average interest rates based on the average balance of borrowings for the year.
2. 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 follows:

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	¥ 5,033	¥ 5,033	¥ 5,100	¥ 5,000
Lease obligations	538	473	272	208
Total	¥ 5,572	¥ 5,506	¥ 5,372	¥ 5,208

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	\$ 45,463	\$ 45,463	\$ 46,066	\$ 45,163
Lease obligations	4,867	4,274	2,461	1,882
Total	\$ 50,330	\$ 49,737	\$ 48,527	\$ 47,045

(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.