Innovation in Motion
TSUBAKI

TSUBAKIMOTO CHAIN CO.
and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2021
with Independent Auditor's Report

Consolidated Balance Sheet

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2021**	2020	**2021**
Current assets:			
Cash and deposits (Notes 7 and 26)	**¥ 41,869**	¥ 29,019	**$ 378,188**
Short-term investments (Notes 7, 8 and 26)	**6,189**	3,965	**55,903**
Trade notes and accounts receivable (Note 7)	**43,816**	45,699	**395,773**
Electronically recorded monetary claims (Notes 7 and 14)	**11,561**	11,346	**104,431**
Inventories (Notes 9 and 11)	**38,389**	40,278	**346,755**
Other current assets	**4,226**	4,547	**38,173**
Allowance for doubtful accounts (Note 7)	**(865)**	(773)	**(7,818)**
Total current assets	**145,185**	134,083	**1,311,406**
Property, plant and equipment, at cost:			
Land (Note 15)	**37,543**	37,513	**339,116**
Buildings and structures (Note 23)	**77,488**	75,917	**699,920**
Machinery, equipment and vehicles (Note 23)	**135,869**	129,905	**1,227,259**
Tools, furniture and fixtures (Note 23)	**30,112**	30,562	**271,995**
Construction in progress	**3,660**	5,224	**33,066**
Subtotal	**284,675**	279,124	**2,571,358**
Less accumulated depreciation	**(169,615)**	(160,544)	**(1,532,070)**
Property, plant and equipment, net (Note 30)	**115,059**	118,579	**1,039,288**
Investments and other assets:			
Investments in securities (Notes 7 and 8)	**27,152**	20,887	**245,255**
Investments in unconsolidated subsidiaries and an affiliate	**3,505**	3,463	**31,660**
Long-term loans receivable	**11**	12	**102**
Deferred tax assets (Note 12)	**2,048**	2,038	**18,498**
Goodwill (Notes 23 and 30)	**2,533**	2,773	**22,879**
Intangible assets (Note 23)	**8,162**	8,587	**73,730**
Other assets	**3,788**	3,792	**34,223**
Allowance for doubtful accounts	**(113)**	(119)	**(1,027)**
Total investments and other assets	**47,087**	41,436	**425,322**
Total assets (Note 30)	**¥ 307,332**	¥ 294,098	**$ 2,776,018**

Liabilities and net assets	2021 (Millions of yen)	2020 (Millions of yen)	2021 (Thousands of U.S. dollars (Note 1))
Current liabilities:			
Short-term loans (Notes 7 and 10)	¥ 11,318	¥ 12,893	$ 102,234
Current portion of long-term debt and finance lease obligations (Notes 7 and 10)	1,039	4,628	9,389
Trade notes and accounts payable (Note 7)	16,882	17,374	152,495
Electronically recorded obligations (Note 7)	9,790	11,632	88,429
Income taxes payable (Note 12)	1,178	1,696	10,648
Accrued bonuses to employees	3,794	3,952	34,272
Accrued expenses	6,139	4,598	55,941
Provision for loss on construction contracts (Note 17)	293	249	2,653
Other current liabilities	11,199	10,056	101,164
Total current liabilities	61,690	67,081	557,228
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 7 and 10)	29,848	24,945	269,606
Long-term accounts payable	26	30	236
Liability for retirement benefits (Note 13)	13,863	13,529	125,220
Provision for retirement benefits for directors and audit & supervisory board members	124	117	1,126
Deferred tax liabilities (Note 12)	8,175	6,085	73,847
Deferred tax liabilities on land revaluation (Note 15)	5,001	5,001	45,174
Asset retirement obligations	457	430	4,135
Other long-term liabilities	650	820	5,876
Total long-term liabilities	58,147	50,961	525,222
Contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 16):			
Common stock:			
Authorized —59,800,000 shares in 2021 and 2020			
Issued —38,281,393 shares in 2021 and 2020	17,076	17,076	154,246
Capital surplus	13,565	13,563	122,528
Retained earnings (Note 31)	154,856	149,487	1,398,755
Treasury stock, at cost:			
1,266,367 shares in 2021 and 1,272,780 shares in 2020	(4,231)	(4,253)	(38,222)
Total shareholders' equity	181,266	175,873	1,637,309
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 8)	12,836	8,551	115,947
Net unrealized deferred (loss) gain on derivative instruments (Note 28)	(76)	17	(689)
Net unrealized loss on land revaluation (Note 15)	(10,614)	(10,614)	(95,875)
Translation adjustments	2,828	1,178	25,547
Retirement benefits liability adjustments (Note 13)	(449)	(647)	(4,058)
Total accumulated other comprehensive income	4,524	(1,513)	40,871
Non-controlling interests	1,703	1,695	15,385
Total net assets	187,494	176,055	1,693,566
Total liabilities and net assets	¥307,332	¥294,098	$2,776,018

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Net sales (Note 30)	**¥193,399**	¥226,423	**$1,746,899**
Cost of sales (Notes 17, 18 and 20)	**145,764**	166,158	**1,316,632**
Gross profit	**47,634**	60,264	**430,266**
Selling, general and administrative expenses (Notes 19 and 20)	**38,737**	44,118	**349,904**
Operating income (Note 30)	**8,896**	16,146	**80,362**
Other income (expenses):			
Interest and dividend income	**905**	1,163	**8,175**
Interest expense	**(320)**	(381)	**(2,897)**
Equity in earnings of an affiliate	**47**	44	**429**
Foreign exchange gain (loss), net	**378**	(304)	**3,417**
Loss on valuation of derivatives	**(241)**	(13)	**(2,182)**
Gain on revision to retirement benefit plan	**—**	533	**—**
Insurance claim income (Note 21)	**870**	—	**7,858**
Gain (loss) on sales or disposal of property, plant and equipment, net (Note 22)	**312**	(47)	**2,821**
Gain (loss) on sales of investment securities (Note 8)	**5**	(2)	**47**
Loss on impairment of fixed assets (Notes 23 and 30)	**—**	(419)	**—**
Loss on business restructuring (Note 24)	**(57)**	—	**(518)**
Other, net (Note 8)	**1,363**	91	**10,132**
Profit before income taxes	**12,159**	16,809	**109,828**
Income taxes (Note 12):			
Current	**3,295**	4,853	**29,766**
Deferred	**81**	269	**736**
	3,377	5,123	**30,503**
Profit	**8,782**	11,686	**79,325**
Profit attributable to:			
Non-controlling interests	**75**	109	**681**
Owners of parent (Note 29)	**¥ 8,706**	¥ 11,576	**$ 78,643**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Profit	**¥ 8,782**	¥11,686	**$ 79,325**
Other comprehensive income (loss):			
Net unrealized holding gain (loss) on securities	**4,284**	(1,272)	**38,701**
Net unrealized deferred (loss) gain on derivative instruments	**(94)**	29	**(850)**
Translation adjustments	**1,646**	(2,142)	**14,872**
Retirement benefits liability adjustments	**198**	132	**1,794**
Share of other comprehensive income (loss) of an affiliate accounted for by the equity method	**4**	(9)	**43**
Total other comprehensive income (loss), net (Note 25)	**6,040**	(3,262)	**54,562**
Comprehensive income	**¥14,822**	¥ 8,423	**$133,887**
Comprehensive income attributable to:			
Owners of parent	**¥14,745**	¥ 8,359	**$133,189**
Non-controlling interests	**77**	64	**698**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2021

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred (loss) gain on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments (Note 12)	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥17,076	¥13,559	¥142,442	¥(1,047)	¥ 9,824	¥(11)	¥(10,614)	¥ 3,285	¥(780)	¥1,720	¥175,454
Cumulative effect of change in accounting principle	—	—	14	—	—	—	—	—	—	—	14
Restated balance at April 1, 2019	17,076	13,559	142,456	(1,047)	9,824	(11)	(10,614)	3,285	(780)	1,720	175,468
Cash dividends paid	—	—	(4,541)	—	—	—	—	—	—	—	(4,541)
Profit attributable to owners of parent for the year	—	—	11,576	—	—	—	—	—	—	—	11,576
Purchases of treasury stock	—	—	—	(3,206)	—	—	—	—	—	—	(3,206)
Disposal of treasury stock	—	0	—	0	—	—	—	—	—	—	0
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	4	(4)	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	(1,272)	29	—	(2,107)	133	(24)	587
Balance at April 1, 2020	**¥17,076**	**¥13,563**	**¥149,487**	**¥(4,253)**	**¥ 8,551**	**¥ 17**	**¥(10,614)**	**¥ 1,178**	**¥(647)**	**¥1,695**	**¥176,055**
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	—	—	—	—
Restated balance at April 1, 2020	**17,076**	**13,563**	**149,487**	**(4,253)**	**8,551**	**17**	**(10,614)**	**1,178**	**(647)**	**1,695**	**176,055**
Cash dividends paid	—	—	**(3,330)**	—	—	—	—	—	—	—	**(3,330)**
Profit attributable to owners of parent for the year	—	—	**8,706**	—	—	—	—	—	—	—	**8,706**
Purchases of treasury stock	—	—	—	**(3)**	—	—	—	—	—	—	**(3)**
Disposal of treasury stock	—	**(5)**	—	**25**	—	—	—	—	—	—	**19**
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	**6**	**(6)**	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	**4,284**	**(94)**	—	**1,649**	**198**	**7**	**6,046**
Balance at March 31, 2021	**¥17,076**	**¥13,565**	**¥154,856**	**¥(4,231)**	**¥12,836**	**¥(76)**	**¥(10,614)**	**¥ 2,828**	**¥(449)**	**¥1,703**	**¥187,494**

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred (loss) gain on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments (Note 12)	Non-controlling interests	Total net assets
Balance at April 1, 2020	**$154,246**	**$122,516**	**$1,350,259**	**$(38,421)**	**$ 77,245**	**$ 160**	**$(95,875)**	**$10,646**	**$(5,851)**	**$15,317**	**$1,590,243**
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	—	—	—	—
Restated balance at April 1, 2020	**154,246**	**122,516**	**1,350,259**	**(38,421)**	**77,245**	**160**	**(95,875)**	**10,646**	**(5,851)**	**15,317**	**1,590,243**
Cash dividends paid	—	—	**(30,087)**	—	—	—	—	—	—	—	**(30,087)**
Profit attributable to owners of parent for the year	—	—	**78,643**	—	—	—	—	—	—	—	**78,643**
Purchases of treasury stock	—	—	—	**(27)**	—	—	—	—	—	—	**(27)**
Disposal of treasury stock	—	**(47)**	—	**226**	—	—	—	—	—	—	**179**
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	**59**	**(59)**	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	**38,701**	**(850)**	—	**14,901**	**1,793**	**68**	**54,614**
Balance at March 31, 2021	**$154,246**	**$122,528**	**$1,398,755**	**$(38,222)**	**$115,947**	**$(689)**	**$(95,875)**	**$25,547**	**$(4,058)**	**$15,385**	**$1,693,566**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash flows from operating activities:			
Profit before income taxes	**¥12,159**	¥ 16,809	**$109,828**
Adjustments for:			
Depreciation and amortization	**12,682**	12,739	**114,556**
Loss on impairment of fixed assets	**—**	419	**—**
Loss on business restructuring	**57**	—	**518**
Amortization of goodwill	**277**	181	**2,504**
(Gain) loss on sales or disposal of property, plant and equipment, net	**(311)**	47	**(2,816)**
Loss on valuation of investments in securities	**0**	56	**8**
(Gain) loss on sales of investments in securities	**(5)**	2	**(47)**
Loss on valuation of shares of subsidiaries and affiliates	**52**	—	**476**
Loss on valuation of investment in capital of subsidiaries and affiliates	**4**	25	**36**
Subsidies for employment adjustment	**(557)**	—	**(5,037)**
Increase in allowance for doubtful accounts	**64**	380	**586**
Increase (decrease) in liability for retirement benefits	**597**	(135)	**5,394**
Decrease in trade notes and accounts receivable	**2,114**	2,233	**19,099**
Increase in inventories	**2,596**	884	**23,449**
Decrease in trade notes and accounts payable	**(1,567)**	(6,435)	**(14,158)**
Increase (decrease) Other, net	**2,353**	(2,598)	**21,254**
Subtotal	**30,517**	24,610	**275,654**
Interest and dividends received	**950**	1,167	**8,585**
Interest paid	**(324)**	(413)	**(2,932)**
Subsidies for employment adjustment received	**557**	—	**5,037**
Income taxes paid	**(3,810)**	(5,089)	**(34,419)**
Net cash provided by operating activities	**¥27,890**	¥ 20,275	**$251,926**
Cash flows from investing activities:			
(Decrease) increase in time deposits, net	**¥ (355)**	¥ 43	**$ (3,215)**
Purchases of investments in securities	**(252)**	(15)	**(2,284)**
Proceeds from sales and redemption of investments in securities	**166**	215	**1,506**
Purchase of shares of subsidiaries and an affiliate	**(76)**	—	**(688)**
Payment for investments in unconsolidated subsidiaries and an affiliate	**(10)**	—	**(97)**
Decrease in short-term loans receivable, net	**1**	7	**13**
Decrease (increase) in long-term loans receivable, net	**0**	(1)	**3**
Purchases of property, plant and equipment	**(9,723)**	(14,661)	**(87,826)**
Proceeds from sales of property, plant and equipment	**689**	171	**6,227**
Net cash provided by (used in) investing activities	**(9,560)**	(14,241)	**(86,360)**
Cash flows from financing activities:			
(Decrease) increase in short-term loans, net	**(1,687)**	376	**(15,245)**
Proceeds from long-term loans	**5,452**	8,495	**49,251**
Repayment of long-term loans	**(4,239)**	(893)	**(38,292)**
Redemption of bonds	**—**	(10,000)	**—**
Repayment of finance lease obligations	**(469)**	(521)	**(4,243)**
Repayments of installment payables	**(6)**	(6)	**(57)**
Cash dividends paid	**(3,330)**	(4,541)	**(30,087)**
Cash dividends paid to non-controlling interests	**(69)**	(88)	**(629)**
Purchases of treasury stock	**(3)**	(3,206)	**(27)**
Sales of treasury stock	**0**	0	**2**
Net cash provided by (used in) financing activities	**(4,354)**	(10,385)	**(39,328)**
Effect of exchange rate changes on cash and cash equivalents	**730**	(358)	**6,599**
Net increase (decrease) in cash and cash equivalents	**14,706**	(4,708)	**132,837**
Cash and cash equivalents at beginning of the year	**31,378**	36,087	**283,430**
Cash and cash equivalents at end of the year (Note 26)	**¥46,084**	¥ 31,378	**$416,267**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2021

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥110.71 = U.S. $1.00, the exchange rate prevailing on March 31, 2021. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements both in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements includes the accounts of the Company and significant subsidiaries which the Company controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All material intercompany balances and transactions have been eliminated in consolidation.

The balance sheet dates of certain consolidated subsidiaries are December 31 or January 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the periods from January 1 or February 1 through March 31 have been adjusted, if necessary. For one overseas consolidated subsidiary whose fiscal year-end is December 31, for consolidation purposes, the financial statements are prepared as of and for the year ended March 31.

The number of consolidated subsidiaries and an affiliate accounted for by the equity method for the years ended March 31, 2021 and 2020 is summarized below:

	2021	2020
Domestic subsidiaries	**8**	8
Overseas subsidiaries	**56**	56
Overseas affiliate	**1**	1

(b) Cash and cash equivalents

For the preparation of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(d) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

All securities held by the Company and its consolidated subsidiaries are classified as "other securities" and are accounted for as outlined above.

(e) Derivatives and hedging activities

Derivatives are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which met certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt ("special treatment"). Receivables, payables and loans hedged by forward foreign exchange contracts which met certain conditions are accounted for by the allocation method. Under the allocation method, such receivables, payables and loans denominated in foreign currencies are translated at the corresponding contract rates.

The hedge effectiveness of derivative transactions is assessed by comparing the cumulative changes in cash flows or fair values of the underlying hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an assessment of hedge effectiveness is omitted for forward foreign exchange contracts meeting certain conditions for applying the allocation method and interest-rate swaps meeting certain conditions for applying the special treatment.

(f) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the first-in, first-out method, the individual identification method or the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market.

(g) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. The Company and its domestic consolidated subsidiaries mainly calculate depreciation by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than structures attached to the buildings) and structures attached to buildings and other structures acquired on or after April 1, 2017. The foreign consolidated subsidiaries mainly calculate depreciation by the straight-line method over the estimated useful lives of the respective assets.

The principal estimated useful lives are summarized as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 13 years

(h) Goodwill

Goodwill is amortized primarily over a period of 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Leases

For lease transactions involving the transfer of ownership, leased assets are depreciated by the same depreciation method applied to property, plant and equipment owned by the lessee.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over their lease term using the straight-line method with a residual value of zero.

(j) Income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Accrued bonuses to employees

Accrued bonuses to employees are provided based on the estimated amount of bonuses to be paid to employees which are charged to income in the current year.

(l) Provision for retirement benefits for executive officers

Executive officers of domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. Provision for retirement benefits for executive officers are made at an estimated amount based on the internal rules.

(m) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for anticipated future losses on outstanding projects if such future loss on construction projects is anticipated at the year end and the loss amount can be reasonably estimated.

Provision for loss on order contracts is provided for anticipated future losses on outstanding projects if such future loss on order is anticipated at the year end and the loss amount can be reasonably estimated.

(n) Provision for shareholder benefit program

Provision for shareholder benefit program is estimated and recorded in the amount expected to be incurred in the next fiscal year or later in order to prepare for expenditures related to the shareholder benefit program.

(o) Retirement benefits to employees

The liability for retirement benefits to employees is recorded based on the retirement benefit obligation less the fair value of the pension plan assets. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

Actuarial differences are amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period which is shorter than the average estimated remaining years of service of the eligible employees (10 years).

As permitted under the accounting standard for retirement benefits, certain domestic subsidiaries calculate their retirement benefit obligation for their employees by the simplified method. Under the simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet dates.

(p) Recognition of contract revenue and cost

The Company and its consolidated subsidiaries recognize revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the current fiscal year. To estimate the progress of such construction projects, the Company and its consolidated subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimates of total costs required to complete the project (cost to cost basis). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

(q) Intangible assets and research and development costs

Amortization of intangible assets other than software capitalized is calculated by the straight-line method over the estimated useful lives of the respective assets.

Research and development costs are charged to income when incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives (5 years).

(r) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the end of the current fiscal year. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the end of the current fiscal year, except that the components of net assets excluding non-controlling interests, net unrealized holding gain on securities, and net unrealized deferred gain on derivative instruments are translated at their historical exchange rates. Revenue and expense accounts of the overseas consolidated subsidiaries are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of profit but are reported as "Translation adjustments" as a component of accumulated other comprehensive income (loss) and as "Non-controlling interests" in the accompanying consolidated balance sheets.

(s) Distribution of retained earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the current fiscal year and the accounts for that period do not, therefore, reflect such distributions. Please refer to "Distribution of retained earnings" in Note 31.

3. SIGNIFICANT ACCOUNTING ESTIMATES

(a) Estimates of construction progress based on the percentage of completion method

Amount recorded in the consolidated financial statements for the current fiscal year was as follows:

2021	Millions of yen	Thousands of U.S. dollars
Net sales accounted for by percentage of completion method sales	¥25,077	$226,511

Information about material accounting estimates for the identified item

1. Calculation method of the amount recorded in the consolidated financial statements for the current fiscal year
   Net sales based on the percentage of completion method recorded in the consolidated financial statements for the current fiscal year is measured based on the progress of construction, which is calculated based on the ratio of the costs incurred up to the end of the current fiscal year.

2. Major assumptions used in significant accounting estimates
   Estimates of total construction costs are calculated based on objective unit prices, such as price quotations obtained from outside of the Company and internally authorized estimated unit prices.
   However, the estimates include certain assumptions and judgements by management that possesses knowledge and experience related to construction projects.

3. Impact on consolidated financial statements for the next fiscal year
   Since construction projects generally are completed over long periods total cost estimate may fluctuate due to contract changes during the construction. In some cases, it may affect the consolidated financial statements for the next fiscal year.

(b) Impairment of property, plant and equipment and intangible assets

Amount recorded in the consolidated financial statements for the current fiscal year was as follows:

2021	Millions of yen	Thousands of U.S. dollars
Impairment loss*1	¥ 57	$ 518
Property, plant and equipment and intangible assets	125,755	1,135,897

*1 Impairment loss is presented as "Loss on business restructuring" in the consolidated statement of income.

Information about the content of material accounting estimates for the identified item

1. Calculation method of the amount recorded in the consolidated financial statements for the current fiscal year
   Property, plant and equipment, etc.
   The Company groups assets by the smallest unit that generates generally independent cash flows based on business divisions and the Company estimates undiscounted future cash flows. If the undiscounted future cash flows are less than carrying amount, the carrying amount is reduced to its recoverable amount, and the difference is recorded as loss on business restructuring.

   Goodwill and trademark rights, etc.
   The Company groups assets by the smallest unit that generates generally independent cash flows based on business divisions and it calculates the estimated fair value of goodwill and trademark rights. If the estimated fair value of goodwill and trademark rights, etc. is less than the carrying amount, the carrying amount is reduced to its recoverable amount and the difference is recorded as an impairment loss.

2. Major assumptions used in significant accounting estimates
   Property, plant and equipment, etc.
   Profit or loss from operating activities, the basis for estimating undiscounted future cash flows are calculated based on internally authorized business plans and forecasts of market conditions. Forecasts of the market environment mainly includes forecasts of economic trends and supply and demand trends. The recoverable amount is the higher of the value in use or the fair value less costs to sell. These decisions involve certain assumptions and managements' judgment based on the information available to the Company and its consolidated subsidiaries (the Group).

   Goodwill and trademark rights, etc.
   The fair value of goodwill, trademark rights, etc. is calculated using discounted future cash flows from the asset group which included goodwill and trademark rights, etc, based on internally authorized business plans and forecasts of market conditions. Forecasts of the market environment mainly include forecasts of economic trends and supply and demand trends. The discount rate is determined in consideration of the risk premium, etc. estimated individually for the risk-free rate. The recoverable value is mainly measured by the value in use. These decisions involve certain assumptions and management judgment based on the information available to the Company.

3. Impact on consolidated financial statements for the next fiscal year.
   The Company carefully considers the business plan and market environments when identifying the impairment indicators and recognizing and measuring impairment loss. However, if the conditions and assumptions that are the basis of the estimate need to be revised, there is a possibility that additional impairment losses will be recognized in the consolidated financial statements for the next fiscal year.

(c) Recoverability of deferred tax assets

Amount recorded in the consolidated financial statements for the current fiscal year was as follows:

2021	Millions of yen	Thousands of U.S. dollars
Deferred tax assets	**¥2,048**	**$18,498**

Information about material accounting estimates for the identified item

1. Calculation method of the amount recorded in the consolidated financial statements for the current fiscal year
   Deferred tax assets are recorded to the extent that they are considered to be effective in reducing future tax burdens, taking into consideration estimated future taxable income and feasible tax planning strategies.

2. Major assumptions used in significant accounting estimates
   The estimated amount of future taxable income is calculated based on an internally authorized business plan that takes into consideration the forecast of the market environment. Forecasts of the market environment mainly include forecasts of economic trends and supply and demand trends. These involve certain assumptions and managements' judgment based on the information available to the Group.

3. Impact on consolidated financial statements for the next fiscal year
   Since the estimated amount of future taxable income will fluctuate depending on the business performance at that time, if an event that affects the estimate of taxable income occurs, any amount that may not be realizable will be reviewed and the amount of deferred tax assets will be revised. Profit or loss attributable to owners of parent may be effected.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting Standard and Implementation Guidance for Revenue Recognition

On March 30, 2018, the Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(a) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue recognition.

1. Identify contract with a customer
2. Identify performance obligations in the contract
3. Determine transaction price
4. Allocate transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies the performance obligation

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

Accounting Standard for Fair Value Measurement
Implementation Guidance on Accounting Standard for Fair Value Measurement
Accounting Standard for Measurement of Inventories
Accounting Standard for Financial Instruments
Implementation Guidance on Disclosures about Fair Value of Financial Instruments

On July 4, 2019, the ASBJ issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30), “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No.31), “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9), “Accounting Standard for Financial Instruments” (ASBJ Statement No.10), and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19).

(a) Overview

In order to improve comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as “Accounting Standards for Fair Value Measurement”) have been developed, and guidance on how to calculate fair value has been established. Accounting Standards for Fair Value Measurement are applied to the fair value of the following items.

- Financial instruments defined in “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes defined in “Accounting Standard for Measurement of Inventories”

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and disclosures in the notes such as a breakdown of the fair value of financial instruments by level have been established.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

5. CHANGES IN ACCOUNTING POLICIES

“Accounting Standard for Disclosure of Accounting Estimates”

The Company and its consolidated subsidiaries have adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31) from the beginning of the fiscal year ended March 31, 2021.

In addition, in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the relevant accounting standard, comparative information for the previous fiscal year is not disclosed.

Consolidated Statement of Income

“Loss on valuation of derivatives,” which is included in “Other” of “Non-operating expenses” in the previous fiscal year, exceeded 10% of the total amount of non-operating expenses, therefore it is presented as a separate line item from the current fiscal year. In order to reflect this change in accounting policy, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the ¥681 million previously classified in “Other” of “Non-operating expenses” in the consolidated statement of income for the previous fiscal year is restated as ¥13 million in “Loss on valuation of derivatives” and ¥667 million in “Other.”

6. ADDITIONAL INFORMATION

Accounting estimates for the impact of the spread of coronavirus infections

Although it is still difficult to predict when the new coronavirus infection will end, the Company has made important accounting estimates based on currently available information such as the fact that market demand is gradually recovering.

The impact of the spread of coronavirus infection involves uncertainties, and if the business environment changes, there is a possibility of differences between the estimates and the ex post facto results.

7. FINANCIAL INSTRUMENTS

(1) Overview

(a) Policy for financial instruments

The Company and its consolidated subsidiaries obtain necessary funding principally by bank borrowings and bonds issuance. Temporary surplus funds are managed through low-risk financial assets. Derivatives are utilized for mitigating fluctuation risks of foreign currency exchange rates or interest rates, and not utilized for speculative purposes.

(b) Types of financial instruments and related risk

Trade notes and accounts receivable and electronically recorded monetary claims are exposed to the credit risk of customers. The Company and its consolidated subsidiaries conduct their business globally and the trade receivables denominated in foreign currencies incurred from export transactions are exposed to the fluctuation risk of foreign currencies. This risk is mitigated by utilizing forward foreign exchange contracts.

Securities are mainly composed of stocks of the companies with which the Group has business relationships or capital alliances and they are exposed to fluctuation risk of market prices.

Almost all trade payables, notes, accounts payable and electronically recorded obligations are due within one year. Certain trade payables resulting from import transactions are denominated in foreign currencies and the Company and its consolidated subsidiaries utilize forward foreign exchange contracts, as with trade receivables. Loans and bonds are utilized for necessary financing of operating funds and capital expenditures.

Derivative transactions are entered into to hedge the foreign currency fluctuation risk of trade receivables, trade payables and debt securities denominated in foreign currencies by utilizing forward foreign exchange contracts. Refer to (e) "Derivatives and hedging activities" in Note 2 "Summary of Significant Accounting Policies" and Note 24 "Derivatives and Hedging Activities" for information on hedge accounting, such as hedging instruments and hedged items.

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with internal rules of credit management of the Company, each business department manages the collection due dates and receivable balances of its customers, periodically monitors the financial conditions of customers and tries to identify credit risk of customers with worsening financial conditions at the early stage to mitigate any risk. Consolidated subsidiaries perform similar credit management.

The Company and certain consolidated subsidiaries enter into derivative transactions with financial institutions with high credit ratings to mitigate the risk of credit loss in the event of nonperformance by the counterparties.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates and interest rates)

The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts for hedging currency fluctuation risk arising from trade receivables, trade payables and debt securities denominated in foreign currencies. The Company also utilizes interest-rate swap agreements and currency swap agreements to mitigate interest rate risk and foreign currency exchange risk on debt denominated in foreign currencies.

The Company and its consolidated subsidiaries continuously review the status of investments in securities by monitoring periodically the market value and financial condition of the securities' issuers (companies with business relationships or business alliances with the Company and its consolidated subsidiaries) and by evaluating those relationships.

Each business department determines the amount of each forward foreign exchange contract within the actual underlying transaction amount, and the responsible finance department enters into and manages these forward foreign exchange contracts. The finance department enters into and manages interest-rate swap agreements and currency swap agreements in the course of undertaking borrowing contracts.

(iii) Monitoring of liquidity risk (the risk that the Company and its consolidated subsidiaries may not be able to meet its obligations on scheduled due dates)

The Company and its consolidated subsidiaries manage liquidity risk by preparing cash flow plans on a timely basis and so forth.

(d) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 28 "Derivatives and Hedging Activities" are not necessarily indicative of the actual market risk involved in the derivative transactions.

(2) Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the difference as of March 31, 2021 and 2020, were shown in the following table. The following table did not include financial instruments for which it was extremely difficult to determine the fair value (Please refer to Note 2 below).

Millions of yen

	2021			2020		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 41,869	¥ 41,869	¥ —	¥ 29,019	¥ 29,019	¥ —
Trade notes and accounts receivable	43,816	—	—	45,699	—	—
Electronically recorded monetary claims	11,561	—	—	11,346	—	—
Allowance for doubtful accounts*1	(865)	—	—	(773)	—	—
	54,512	54,512	—	56,273	56,273	—
Short-term investments and investments in securities:						
Other securities	32,746	32,746	—	24,496	24,496	—
Total assets	¥129,127	¥129,127	¥ —	¥109,789	¥109,789	¥ —
Liabilities:						
Trade notes and accounts payable	¥ 16,882	¥ 16,882	¥ —	¥ 17,374	¥ 17,374	¥ —
Electronically recorded obligations	9,790	9,790	—	11,632	11,632	—
Short-term loans	11,318	11,318	—	12,893	12,893	—
Long-term debt*2	29,849	30,283	(434)	28,616	29,082	(466)
Total liabilities	67,840	68,275	(434)	70,516	70,982	(466)
Derivatives, net*3	¥ (349)	¥ (349)	¥ —	¥ 8	¥ 8	¥ —

Thousands of U.S. dollars

	2021		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	$ 378,188	$ 378,188	$ —
Trade notes and accounts receivable	395,773	395,773	—
Electronically recorded monetary claims	104,431	104,431	—
Allowance for doubtful accounts*1	(7,818)	(7,818)	—
	492,386	492,386	—
Short-term investments and investments in securities:			
Other securities	295,782	295,782	—
Total assets	$1,166,357	$1,166,357	$ —
Liabilities:			
Trade notes and accounts payable	$ 152,495	$ 152,495	$ —
Electronically recorded obligations	88,429	88,429	—
Short-term loans	102,234	102,234	—
Long-term debt*2	269,620	273,542	(3,922)
Total liabilities	612,779	616,702	(3,922)
Derivatives, net*3	$ 3,160	$ 3,160	$ —

*1 Allowance for doubtful accounts on specific bad debts was deducted from “Trade notes, accounts receivable” and “Electronically recorded monetary claims.”
*2 Debt consists of loans and bonds. Long-term debt included the current portion of long-term debt.
*3 Assets and liabilities arising from derivatives were shown at net value, and the amount in parentheses represented a net liability position.

Note 1: Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash and deposits, trade notes and accounts receivable, electronically recorded monetary claims

Since these items were settled in a short time period, their carrying value approximates fair value.

Short-term investments and investments in securities

The fair value of equity securities was based on their quoted market prices. Since certificates of deposit were settled in a short time period, their carrying value approximates fair value.

For information on securities classified by holding purpose, please refer to Note 8 “Short-Term Investments and Investments in Securities” of the notes to the consolidated financial statements.

Liabilities

Trade notes and accounts payable, electronically recorded obligations, short-term loans

Since these items were settled in a short time period, their carrying value approximated fair value.

Long-term debt

The fair value of long-term loans was based on the present value of the total principal and interest discounted by the estimated interest rates to be applied if similar new loans were made.

The fair value of bonds payable was based on present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

Derivative transactions

Please refer to Note 28 “Derivatives and Hedging Activities.”

Note 2: Financial instruments for which it was extremely difficult to determine the fair value:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unlisted securities	**¥1,965**	¥1,708	**$17,757**

Because no quoted market price was available and it was extremely difficult to determine the fair value, the above financial instruments were not included in the preceding table.

Note 3: The redemption schedule for monetary assets and securities with maturities subsequent to March 31, 2021 and 2020 were as follows:

				Millions of yen
				2021
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	**¥ 41,840**	**¥—**	**¥—**	**¥—**
Trade notes and accounts receivable	**43,816**	**—**	**—**	**—**
Electronically recorded monetary claims	**11,561**	**—**	**—**	**—**
Short-term investments and investments in securities:				
Other securities with maturity dates				
Debt securities	**—**	**—**	**—**	**—**
Other	**6,189**	**—**	**—**	**—**
	¥103,406	**¥—**	**¥—**	**¥—**

				Millions of yen
				2020
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	¥28,987	¥—	¥—	¥—
Trade notes and accounts receivable	45,699	—	—	—
Electronically recorded monetary claims	11,346	—	—	—
Short-term investments and investments in securities:				
Other securities with maturity dates				
Debt securities	—	—	—	—
Other	3,965	—	—	—
	¥89,999	¥—	¥—	¥—

				Thousands of U.S. dollars
				2021
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	**$377,925**	**$—**	**$—**	**$—**
Trade notes and accounts receivable	**395,773**	**—**	**—**	**—**
Electronically recorded monetary claims	**104,431**	**—**	**—**	**—**
Short-term investments and investments in securities:				
Other securities with maturity dates				
Debt securities	**—**	**—**	**—**	
Other	**55,903**	**—**	**—**	**—**
	$934,034	**$—**	**$—**	**$—**

8. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

(a) Short-term investments and investments in securities with determinable market value classified as other securities as of March 31, 2021 and 2020 were summarized as follows:

						Millions of yen
			2021			2020
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥26,556**	**¥ 8,199**	**¥18,357**	¥19,973	¥ 7,566	¥12,406
Subtotal	**26,556**	**8,199**	**18,357**	19,973	7,566	12,406
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**—**	**—**	**—**	558	780	(222)
Debt securities	**—**	**—**	**—**	—	—	—
Other	**6,189**	**6,189**	**—**	3,965	3,965	—
Subtotal	**6,189**	**6,189**	**—**	4,523	4,745	(222)
Total	**¥32,746**	**¥14,388**	**¥18,357**	¥24,496	¥12,312	¥12,184

			Thousands of U.S. dollars
			2021
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$239,878**	**$ 74,059**	**$165,819**
Subtotal	**239,878**	**74,059**	**165,819**
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**—**	**—**	**—**
Debt securities	**—**	**—**	**—**
Other	**55,903**	**55,903**	**—**
Subtotal	**55,903**	**55,903**	**—**
Total	**$295,782**	**$129,963**	**$165,819**

(b) Sales of bonds held to maturity for the fiscal years ended March 31, 2021 and 2020 were summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	2021	2020	**2021**
Sales	**¥—**	¥200	**$—**
Gross realized gain	**—**	—	**—**
Gross realized loss	**—**	—	**—**

(c) Sales of other securities for the fiscal years ended March 31, 2021 and 2020 were summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	2021	2020	**2021**
Sales	**¥166**	¥15	**$1,506**
Gross realized gain	**5**	—	**47**
Gross realized loss	**—**	2	**—**

(d) The Company recorded loss on valuation of shares of affiliates of ¥52 million ($484 thousand) for the fiscal year ended March 31, 2021.

9. INVENTORIES

Inventories as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Finished goods	**¥17,469**	¥18,369	**$157,796**
Work in process	**11,674**	12,268	**105,451**
Raw materials and supplies	**9,245**	9,639	**83,507**
	¥38,389	¥40,278	**$346,755**

10. SHORT-TERM LOANS, LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Short-term loans consisted principally of loans from banks and insurance companies at weighted average interest rates of 0.8% and 1.0% as of March 31, 2021 and 2020, respectively.

Long-term debt and finance lease obligations as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Loans, principally from banks and insurance companies, due through 2025 at an average annual interest rate of 0.5% and 0.6% at March 31, 2021 and 2020, respectively:			
Secured	**¥ —**	¥ —	**$ —**
Unsecured	**14,849**	13,616	**134,130**
Straight bonds payable due 2025 at an interest rate of 0.30%	**5,000**	5,000	**45,163**
Straight bonds payable due 2028 at an interest rate of 0.52%	**10,000**	10,000	**90,326**
Lease obligations	**1,037**	957	**9,375**
	30,887	29,573	**278,995**
Less current portion	**(1,039)**	(4,628)	**(9,389)**
Total	**¥29,848**	¥24,945	**$269,606**

Other interest-bearing liabilities included in other current liabilities and long-term accounts payable represented installment payables at an average annual interest rate of 2.1% as of March 31, 2021.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2021 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 1,039	$ 9,389
2023	4,948	44,697
2024	432	3,907
2025	5,819	52,561
2026	6,529	58,980
2027 and thereafter	12,118	109,458
Total	¥30,887	$278,995

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2021 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 6	$57
2023	4	38
Total	¥10	$95

The Company concluded line-of-credit agreements with certain banks to achieve efficient financing. The status of these lines of credit as of March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Lines of credit	**¥15,000**	¥15,000	**$135,489**
Credit utilized	**—**	—	**—**
Available credit	**¥15,000**	¥15,000	**$135,489**

11. INVENTORY RELATED TO CONSTRUCTION CONTRACTS AND PROVISION FOR CONSTRUCTION LOSS

Inventories relating to construction contracts in which losses were expected to be incurred and provisions for construction losses were presented separately without offsetting. Of the inventories related to construction contracts where losses were expected to be incurred, the amount corresponding to the provision for construction losses as of March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Work in progress	**¥71**	¥87	**$642**

12. INCOME TAXES

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.6% and 30.6% for the fiscal years ended March 31, 2021 and 2020, respectively.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the statutory tax rate for the fiscal years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Statutory tax rate	30.6%	—
Non-deductible entertainment expenses and others	0.6	—
Non-taxable dividend income and others	(0.9)	—
Inhabitants' per capita taxes	0.4	—
Changes in valuation allowance	(0.7)	—
Tax exemption regarding investment preferential tax system	(0.6)	—
Tax exemption regarding research and development costs	(2.1)	—
Equity in earnings of affiliates	(0.1)	—
Differences of statutory tax rate in consolidated subsidiaries	(0.6)	—
Other	1.2	—
Effective tax rates	27.8%	—

The disclosure is omitted for the year ended March 31, 2020 as the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carryforwards	¥ 1,494	¥ 1,643	$ 13,503
Liability for retirement benefits	4,132	4,038	37,331
Accrued bonuses	964	930	8,711
Inventories	445	568	4,021
Loss on impairment	1,032	1,019	9,328
Other	3,116	5,340	28,148
Total gross deferred tax assets	11,186	13,541	101,044
Valuation allowance for tax loss carryforwards*2	(1,109)	(1,332)	(10,020)
Valuation allowance for deductible temporary differences	(520)	(835)	(4,702)
Total valuation allowance*1	(1,630)	(2,157)	(14,723)
Total deferred tax assets	9,556	11,384	86,321
Deferred tax liabilities:			
Unrealized holding gain on securities	(5,501)	(3,616)	(49,697)
Deferred gain on replacement of property	(4,014)	(4,021)	(36,259)
Undistributed earnings of overseas subsidiaries	(2,635)	(2,552)	(23,804)
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	(628)	(1,773)	(5,680)
Other	(2,903)	(3,467)	(26,228)
Total deferred tax liabilities	(15,684)	(15,431)	(141,670)
Net deferred tax liabilities	¥ (6,127)	¥ (4,047)	$ (55,349)

*1 The valuation allowance decreased by ¥527 million ($4,766 thousand). The main reason was a decrease in the valuation allowance for tax loss carryforwards at consolidated subsidiaries.

*2 A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2021 was as follows:

	Millions of yen						
	2021						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards[(a)]	¥ 193	¥ 179	¥ 115	¥ 53	¥ 149	¥ 802	¥ 1,494
Valuation allowance	(193)	(179)	(115)	(53)	(149)	(416)	(1,109)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 385	¥ 385[(b)]

							Thousands of U.S. dollars
							2021
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards[a]	**$ 1,749**	**$ 1,622**	**$ 1,044**	**$ 486**	**$ 1,353**	**$ 7,247**	**$ 13,503**
Valuation allowance	**(1,749)**	**(1,622)**	**(1,044)**	**(486)**	**(1,353)**	**(3,764)**	**(10,020)**
Deferred tax assets	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 3,483**	**$ 3,483**[b]

(a) The tax loss carryforwards in the above table were measured using the statutory tax rates.
(b) Deferred tax assets of ¥385 million ($3,483 thousand) were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of ¥1,494 million ($13,503 thousand), whose amount was multiplied by the statutory tax rate. The tax loss carryforwards for which deferred tax assets were recognized were caused by the loss before income taxes in previous years and so on, and based on considerations of the prospect of estimated future taxable income, the Company has determined that the corresponding amounts was recoverable and has not recognized a valuation allowance.

							Millions of yen
							2020
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards[a]	¥ 243	¥ 196	¥ 171	¥ 165	¥ 78	¥ 788	¥ 1,643
Valuation allowance	(232)	(184)	(164)	(165)	(77)	(499)	(1,332)
Deferred tax assets	¥ 10	¥ 12	¥ 7	¥ —	¥ 1	¥ 289	¥ 321[b]

(a) The tax loss carryforwards in the above table were measured using the statutory tax rates.
(b) Deferred tax assets of ¥321 million were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of ¥1,643 million, whose amount was multiplied by the statutory tax rate. The tax loss carryforwards for which deferred tax assets were recognized were caused by the loss before income taxes in previous years and so on, and based on considerations of the prospect of estimated future taxable income, the Company has determined that the corresponding amounts is recoverable and has not recognized a valuation allowance.

13. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., lump-sum payment plans, defined contribution pension plans and advance payment schemes for retirement benefits. In addition to the retirement benefit plans described above, the Company and its domestic subsidiaries paid additional retirement benefits under certain conditions. Certain consolidated overseas subsidiaries also have defined benefit pension plans and defined contribution pension plans.

As permitted under the accounting standard for retirement benefits, certain domestic consolidated subsidiaries calculated their retirement benefit obligation for their employees by the simplified method.

The changes in the retirement benefit obligation for the fiscal years ended March 31, 2021 and 2020 were as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at the beginning of the year	**¥13,536**	¥14,018	**$122,271**
Service cost	**712**	772	**6,434**
Interest cost	**81**	57	**739**
Actuarial differences	**(158)**	30	**(1,439)**
Retirement benefits paid	**(310)**	(787)	**(2,806)**
Prior service cost	**0**	(523)	**2**
Other	**60**	(31)	**549**
Balance at the end of the year	**¥13,922**	¥13,536	**$125,759**

The changes in plan assets for the fiscal years ended March 31, 2021 and 2020 were as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at the beginning of the year	**¥1,430**	¥1,500	**$12,919**
Expected return on plan assets	**19**	22	**177**
Actuarial differences	**92**	(106)	**834**
Contributions by the Group	**65**	105	**589**
Retirement benefit paid	**(35)**	(67)	**(324)**
Other	**64**	(23)	**578**
Balance at the end of the year	**¥1,635**	¥1,430	**$14,775**

The changes in the liability for retirement benefits calculated by the simplified method for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at the beginning of the year	**¥1,423**	¥1,354	**$12,858**
Retirement benefit expenses	**288**	197	**2,610**
Retirement benefits paid	**(117)**	(95)	**(1,059)**
Contributions to the plans	**(29)**	(32)	**(266)**
Other	**10**	(1)	**92**
Balance at the end of the year	**¥1,576**	¥1,423	**$14,235**

A reconciliation of the ending balance of retirement benefit obligation and plan assets and liability for retirement benefits recorded in the consolidated balance sheets at March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Funded retirement benefit obligation	**¥ 2,179**	¥ 2,019	**$ 19,683**
Plan assets at fair value	**(2,011)**	(1,790)	**(18,172)**
	167	229	**1,510**
Unfunded retirement benefit obligation	**13,695**	13,300	**123,709**
Net liability for retirement benefits in the balance sheet	**13,863**	13,529	**125,220**
Liability for retirement benefit obligation	**13,863**	13,529	**125,220**
Net liability for retirement benefits in the balance sheet	**¥13,863**	¥13,529	**$125,220**

The above table included retirement benefit obligations calculated by the simplified method.

The components of retirement benefit expenses for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Service cost	**¥ 712**	¥ 772	**$6,434**
Interest cost	**81**	57	**739**
Expected return on plan assets	**(19)**	(22)	**(177)**
Amortization of unrecognized actuarial differences	**35**	328	**322**
Amortization of unrecognized prior service cost	**0**	(523)	**2**
Retirement benefit expense calculated by the simplified method	**288**	197	**2,613**
Other	**(25)**	7	**(234)**
Retirement benefit expenses	**¥1,073**	¥ 817	**$9,699**

The amount of amortization of unrecognized prior service cost in the table above was mainly due to the revision to the retirement benefit plan of the retirement allowance system of the Company, and ¥533 million was recorded as gain on revision to the retirement benefit plan in extraordinary income in the consolidated statement of income for the fiscal year ended March 31, 2020.

Retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Actuarial differences	**¥286**	¥191	**$2,586**

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unrecognized actuarial differences	**¥647**	¥933	**$5,849**

The composition of plan assets by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 was as follows:

	2021	2020
Debt securities	**12%**	13%
Equity securities	**8%**	8%
General accounts at life insurance companies	**31%**	34%
Other	**49%**	45%
Total	**100%**	100%

The assumptions used in accounting for the defined benefit pension plans for the fiscal years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Discount rates	**Principally 0.10%**	Principally 0.10%
Expected rate of return on plan assets	**Principally 2.0%**	Principally 2.0%

The expected long-term rate of return on plan assets was determined as a result of consideration of both the portfolio allocation at present and in the future, and expected rate of return from multiple plan asset at present and in the future.

Total contributions required to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to ¥1,033 million ($9,330 thousand) and ¥1,164 million for the fiscal years ended March 31, 2021 and 2020, respectively.

14. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries were contingently liable for the following items as of March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Notes receivable discounted	**¥ 4**	¥ 15	**$ 38**
Electronically recorded monetary claims discounted	**4**	7	**41**
Transfer of electronically recorded monetary claims	**102**	—	**923**
Guarantees of loans made by employees	**12**	16	**115**
Guarantees of loans made by unconsolidated subsidiaries	**17**	364	**161**

15. NET UNREALIZED LOSS ON LAND REVALUATION

Effective March 31, 2001, the Company revalued its land held for business use in accordance with the “Law on Land Revaluation.” and based on the fair value as of March 31, 2002, differences on land revaluation have been accounted for as “Net unrealized loss on land revaluation” in the amount of ¥10,614 million ($95,875 thousand) under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluation was in accordance with the “Enforcement Act Concerning Land Revaluation.” The carrying value of this land exceeded its corresponding fair value by ¥8,100 million ($73,164 thousand) and ¥9,500 million at March 31, 2021 and 2020, respectively.

16. SHAREHOLDERS’ EQUITY

The Companies Act of Japan provided that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equal 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions were met. The Company’s legal reserve amounted to ¥3,376 million ($30,501 thousand) at March 31, 2021 and 2020.

Movements in issued shares of common stock and treasury stock during the fiscal years ended March 31, 2021 and 2020 were summarized as follows:

				Number of shares
				2021
	April 1, 2020	Increase	Decrease	March 31, 2021
Issued shares of common stock	**38,281,393**	**—**	**—**	**38,281,393**
Treasury stock	**1,272,780**	**1,105**	**7,518**	**1,266,367**

Increase in the number of shares of treasury stock was due to purchases of fractional shares of less than one unit 1,105. Decrease in the number of shares of treasury stock was due to disposal of treasury stock as restricted stock compensation 7,434 and sales of fractional shares of less than one unit 84.

				Number of shares
				2020
	April 1, 2019	Increase	Decrease	March 31, 2020
Issued shares of common stock	38,281,393	—	—	38,281,393
Treasury stock	431,255	841,715	190	1,272,780

Shares of the Company’s common stock were consolidated on a one-for-five basis on October 1, 2018 based on the number of shares owned by shareholders who were registered in the final register of shareholders as of September 30, 2018 (effectively September 28, 2018.) Total number of authorized shares after the share consolidation is 59,800,000 shares (299,000,000 shares before the share consolidation).

Decrease in the number of issued shares was due to the share consolidation. Total number of issued shares after the share consolidation was 38,281,393 shares (191,406,969 shares before the share consolidation).

Increase in the number of shares of treasury stock was due to purchases of treasury stock of 840 thousand units and purchases of 715 fractional shares of less than one unit. Decrease in the number of shares of treasury stock was due to sales of 190 fractional shares of less than one unit.

17. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Provision for loss on construction contracts included in cost of sales for the fiscal years ended March 31, 2021 and 2020 amounted to ¥64 million ($580 thousand) and ¥144 million, respectively.

18. LOSS ON VALUATION OF INVENTORIES

Inventories at the end of the period were the amounts after writing down the book value due to any decline in profitability, and such write-down (reversal of write-down) during the fiscal years ended March 31, 2021 and 2020 amounted to ¥40 million ($367 thousand) and ¥61 million, respectively, which were included in cost of sales.

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major items of selling, general and administrative expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Salary and allowance	**¥14,191**	¥14,831	**$128,183**
Provision of bonus reserve	**¥ 1,127**	¥ 1,314	**$ 10,186**
Retirement benefit expenses	**¥ 591**	¥ 800	**$ 5,340**
Provision for directors' retirement benefits	**¥ 17**	¥ 20	**$ 162**
Shipping cost	**¥ 4,513**	¥ 5,070	**$ 40,771**
Depreciation	**¥ 1,852**	¥ 1,969	**$ 16,736**
Provision of allowance for doubtful accounts	**¥ 130**	¥ 403	**$ 1,178**
Provision for shareholder benefit program	**¥ 32**	¥ —	**$ 292**

20. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in manufacturing costs, and selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2020 amounted to ¥4,288 million ($38,735 thousand) and ¥4,714 million, respectively.

21. INSURANCE CLAIM INCOME

Insurance claim income was insurance money related to representations and warranties associated with the equity transfer agreement during the fiscal year ended March 31, 2021. The Company did not recognize insurance claim income for the fiscal year ended March 31, 2020.

22. GAIN (LOSS) ON SALES OR DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Gain (loss) on sales or disposal of property, plant and equipment for the years ended March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Land and buildings, etc.	**¥314**	¥(47)	**$2,843**

23. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the year ended March 31, 2020, regarding goodwill and trademark rights which were recorded at the time of acquisition of Central Conveyor Company, LLC, consolidated subsidiaries in the United States, the original budget at the time of acquisition was revised because the actual result was under the original budget due to the changes in the market structure. As a result, since the estimated fair value of goodwill and trademark rights was less than its book value, the book value of goodwill and trademark rights was reduced to the recoverable value.

The recoverable value is mainly measured by value in use, which is calculated by discounting future cash flows at a rate of 15.0%.

			Millions of yen
Location	Use	Classification	2020
Michigan, United States of America	Other	Goodwill	¥364
		Trademark rights	54
			¥419

For the year ended March 31, 2021, the Company included loss on impairment of property, plant and equipment in "Loss on business restructuring" in the consolidated statement of income.

24. LOSS ON BUSINESS RESTRUCTURING

Loss on business restructuring was nil for the year ended March 31, 2020. Restructuring loss consisted of factory restructuring expenses of the Company for the year ended March 31, 2021. Restructuring loss mainly consisted of loss on impairment of property, plant and equipment. Information on loss on impairment of property, plant and equipment was as follows:

(1) Description of impaired asset group

Location	Use	Classification
Saitama Prefecture,Japan	Power transmission production equipment	Buildings and others

(2) Reason for recognizing impairment loss

Due to the decision to dismantle the conveyor painting factory along with the Company's factory restructuring, the book values of the assets were written down to their respective recoverable amounts.

(3) Breakdown of impairment loss amounts

	Millions of yen
Classification	**2021**
Buildings and structures	**¥57**
Machinery, equipment and vehicles	**0**
Tools, furniture and fixtures	**0**
	¥57

(4) Method of asset grouping

Assets were grouped principally by each business or each business location.

(5) Calculation method of recoverable amount

The recoverable amount of the asset group was measured by value in use. The amount was not discounted as such effect was immaterial due to the short period of time until dismantlement.

25. OTHER COMPREHENSIVE LOSS

Reclassification adjustments and tax effects on components of other comprehensive loss for the fiscal years ended March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net unrealized holding loss on securities:			
Amount arising during the year	**¥ 6,162**	¥(1,892)	**$ 55,665**
Reclassification adjustments	**(5)**	59	**(47)**
Before tax effect	**6,157**	(1,833)	**55,618**
Tax effect	**(1,872)**	561	**(16,916)**
Net unrealized holding loss on securities	**4,284**	(1,272)	**38,701**
Net unrealized deferred gain (loss) on derivative instruments:			
Amount arising during the year	**(135)**	42	**(1,223)**
Reclassification adjustments	**—**	—	**—**
Before tax effect	**(135)**	42	**(1,223)**
Tax effect	**41**	(12)	**373**
Net unrealized deferred gain (loss) on derivative instruments	**(94)**	29	**(850)**
Translation adjustments:			
Amount arising during the year	**1,646**	(2,142)	**14,872**
Reclassification adjustments	**(0)**	—	**(0)**
Translation adjustments	**1,646**	(2,142)	**14,872**
Retirement benefits liability adjustments:			
Amount arising during the year	**125**	(10)	**1,137**
Reclassification adjustments	**160**	201	**1,449**
Before tax effect	**286**	191	**2,586**
Tax effect	**(87)**	(58)	**(791)**
Retirement benefits liability adjustments	**198**	132	**1,794**
Share of other comprehensive loss of an affiliate accounted for by the equity method:			
Amount arising during the year	**4**	(9)	**43**
Reclassification adjustments	**—**	—	**—**
Share of other comprehensive loss of an affiliate accounted for by the equity method	**4**	(9)	**43**
Other comprehensive loss, net	**¥ 6,040**	¥(3,262)	**$ 54,562**

26. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Reconciliations of cash and deposits shown in the consolidated balance sheets as of March 31, 2021 and 2020 and cash and cash equivalents shown in the consolidated statements of cash flows for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Cash and deposits	**¥41,869**	¥29,019	**$378,188**
Time deposits with maturities exceeding three months	**(1,973)**	(1,605)	**(17,824)**
Short-term investments	**6,189**	3,965	**55,903**
Cash and cash equivalents	**¥46,084**	¥31,378	**$416,267**

27. LEASES

Future minimum lease payments subsequent to March 31, 2021 for non-cancelable operating leases were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥132	$1,197
2023 and thereafter	231	2,095
	¥364	$3,293

28. DERIVATIVES AND HEDGING ACTIVITIES

(1) Derivative transactions to which hedge accounting was not applied

(a) Currency related

The notional amounts of forward foreign exchange contracts to which hedge accounting was not applied, the estimated fair value of the outstanding derivatives positions and unrealized gain (loss) as of March 31, 2021 and 2020 were summarized as follows:

		Millions of yen					
		2021			2020		
Classification	Transactions	Notional amount	Estimated fair value*	Unrealized gain (loss)	Notional amount	Estimated fair value*	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:						
	Sell:						
	U.S. dollars	**¥1,549**	**¥ (85)**	**¥ (85)**	¥1,713	¥(22)	¥(22)
	Euros	**1,189**	**(38)**	**(38)**	1,246	1	1
	Chinese yuan	**1,018**	**(99)**	**(99)**	3,401	6	6
	Canadian dollars	**97**	**(8)**	**(8)**	102	5	5
	Australian dollars	**86**	**(8)**	**(8)**	103	9	9
	Buy:						
	Yen	**270**	**1**	**1**	914	(17)	(17)
	U.S. dollars	**6**	**0**	**0**	—	—	—
	Total	**¥4,217**	**¥(239)**	**¥(239)**	¥7,481	¥(16)	¥(16)

		Thousands of U.S. dollars		
		2021		
Classification	Transactions	Notional amount	Estimated fair value*	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Sell:			
	U.S. dollars	**$13,996**	**$(774)**	**$(774)**
	Euros	**10,740**	**(345)**	**(345)**
	Chinese yuan	**9,195**	**(903)**	**(903)**
	Canadian dollars	**883**	**(78)**	**(78)**
	Australian dollars	**779**	**(77)**	**(77)**
	Buy:			
	Yen	**2,444**	**13**	**13**
	U.S. dollars	**57**	**0**	**0**
	Total	**$38,097**	**$(2,164)**	**$(2,164)**

* Estimated fair value was determined mainly based on the prices quoted by financial institutions.

(b) Interest-rate related

There were no interest-rate related derivative transactions to which hedge accounting was not applied for the fiscal years ended March 31, 2021 and 2020.

(2) Derivative transactions to which hedge accounting was applied

(a) Currency related

The notional amounts of forward foreign exchange contracts to which hedge accounting was applied and the estimated fair value of the outstanding derivatives positions as of March 31, 2021 and 2020 were summarized as follows:

								Millions of yen
				2021				2020
Method of hedge accounting	Transactions	Hedged items	Notional amount	Due after one year	Estimated fair value*2	Notional amount	Due after one year	Estimated fair value*2
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:							
	Sell:							
	U.S. dollars	Accounts receivable (Forecasted transactions)	**¥2,152**	**¥—**	**¥ (64)**	¥1,891	¥—	¥ (2)
	Euros		**1,362**	**—**	**(14)**	1,126	—	14
	Chinese yuan		**719**	**—**	**(21)**	717	—	(0)
	Australian dollars		**172**	**—**	**(4)**	166	—	8
	Canadian dollars		**135**	**—**	**(4)**	140	—	4
	Total		**¥4,542**	**¥—**	**¥(110)**	¥4,043	¥—	¥25
	Buy:							
	U.S. dollars	Accounts payable (Forecasted transactions)	**¥ —**	**¥—**	**¥ —**	¥ 10	¥—	¥ 0
	Total		**¥ —**	**¥—**	**¥ —**	¥ 10	¥—	¥ 0

					Thousands of U.S. dollars
					2021
Method of hedge accounting	Transactions	Hedged items	Notional amount	Due after one year	Estimated fair value*2
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable (Forecasted transactions)	**$19,438**	**$—**	**$(585)**
	Euros		**12,307**	**—**	**(134)**
	Chinese yuan		**6,502**	**—**	**(193)**
	Australian dollars		**1,555**	**—**	**(42)**
	Canadian dollars		**1,224**	**—**	**(40)**
	Total		**$41,027**	**$—**	**$(996)**

* Estimated fair value was determined mainly based on the prices quoted by financial institutions.

(b) Interest-rate and currency related

There were no currency swap contracts that included interest-rate swaps to which hedge accounting was applied as of March 31, 2020.

(c) Interest-rate related

The notional amounts of interest-rate swaps to which hedge accounting was applied and the estimated fair value of the outstanding derivatives positions as of March 31, 2020 were summarized as follows:

								Millions of yen
				2021				2020
Method of hedge accounting	Transactions	Hedged items	Notional amount	Due after one year	Estimated fair value	Notional amount	Due after one year	Estimated fair value
Special treatment for interest-rate swaps	Interest-rate swaps:							
	Fixed paid/fixed received*2	Straight bonds payable	**¥—**	**¥—**	***1**	¥—	¥—	*1

Method of hedge accounting	Transactions	Hedged items	Thousands of U.S. dollars 2021 Notional amount	Due after one year	Estimated fair value
Special treatment for interest-rate swaps	Interest-rate swaps:				
	Fixed paid/fixed received*2	Straight bonds payable	$—	$—	*1

*1 Since interest-rate swap agreements were accounted for as if the interest rates applied to the swaps had originally applied to the underlying bonds (refer to Note 2 (e)), their fair value was included in that of the bonds disclosed in Note 6 "Financial Instruments."
*2 These derivative transactions were used to hedge the fluctuation risk of interest rates during the transaction period until interest rate on the straight bond payable was determined.

29. AMOUNTS PER SHARE

Amounts per share as of March 31, 2021 and 2020 and for the years then ended were as follows:

	Yen 2021	2020	U.S. dollars 2021
Net assets	**¥5,019.35**	¥4,711.34	**$45.34**
Profit attributable to owners of parent	**235.23**	308.71	**2.13**
Cash dividends	**75.00**	120.00	**6.77**

The amounts per share of net assets were computed based on the number of shares of common stock outstanding at each year end.

Profit attributable to owners of parent per share was computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share represented the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

Diluted profit attributable to owners of parent per share for the fiscal years ended March 31, 2021 and 2020 has not been presented because no potentially dilutive shares of common stock were outstanding.

Information used in the calculation of profit attributable to owners of parent per share was summarized as follows:

	Millions of yen 2021	2020	Thousands of U.S. dollars 2021
Profit attributable to owners of parent	**¥8,706**	¥11,576	**$78,643**
Profit attributable to owners of parent not available for distribution to shareholders of common stock	**—**	—	**—**
Profit attributable to owners of parent on which profit attributable to owners of parent per share is calculated	**¥8,706**	¥11,576	**$78,643**

	Thousands of shares 2021	2020
Weighted-average number of shares of common stock on which profit attributable to owners of parent per share is calculated	**37,013**	37,499

Shares of the Company's common stock were consolidated on a one-for-five basis on October 1, 2018. Weighted-average number of shares of common stock on which profit attributable to owners of parent per share was calculated was estimated assuming that the share consolidation was completed on April 1, 2018.

30. SEGMENT INFORMATION

(1) Outline of Reportable Segment Information

The reportable segments of the Company were components for which obtaining separate financial information was possible and that were subject to regular review by the Board of Directors, which decided upon the distribution of management resources to the reportable segments. The Company classified its business segments based on products and services. Each business segment determined comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area. The reportable segments that comprise the Company's operations were: Chains, Power Transmission Units and Components, Automotive Parts and Materials Handling Systems.

(2) Calculation methods used for sales, operating income or loss, assets and other items of each reportable segment

The accounting policies of the segments were substantially the same as those described in the summary of significant accounting policies in Note 2. Intersegment sales were recorded at the same price used in transactions with third parties.

(3) Information on sales, operating income or loss, assets and other items of each reportable segment

Information by reportable segment for the fiscal years ended March 31, 2021 and 2020 was as follows:

Millions of yen

	Reportable Segments								
2021	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1	Total	Adjustments and eliminations*2	Consolidated
Sales, operating income and assets:									
Sales to third parties	¥59,708	¥19,392	¥57,777	¥53,279	¥190,158	¥3,241	¥193,399	¥ —	¥193,399
Intersegment sales and transfers	1,604	305	—	338	2,248	700	2,948	(2,948)	—
Total	¥61,312	¥19,697	¥57,777	¥53,618	¥192,406	¥3,941	¥196,348	¥ (2,948)	¥193,399
Segment profit (Operating income)	¥ 7,862	¥816	¥ 3,714	¥ (2,202)	¥ 10,190	¥ (330)	¥ 9,860	¥ (963)	¥ 8,896
Segment assets	76,344	29,762	97,859	56,011	259,977	3,515	263,492	43,840	307,332
Other items:									
Depreciation and amortization	¥ 2,912	¥ 1,128	¥ 6,910	¥ 1,649	¥ 12,600	¥ 81	¥ 12,682	¥ —	¥ 12,682
Investments in an affiliate accounted for by the equity method	—	—	—	345	345	—	345	—	345
Increase in property, plant and equipment and intangible assets	2,422	1,158	3,364	1,275	8,219	70	8,290	—	8,290

Millions of yen

	Reportable Segments								
2020	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1	Total	Adjustments and eliminations*3	Consolidated
Sales, operating income and assets:									
Sales to third parties	¥65,571	¥23,269	¥70,949	¥63,860	¥223,650	¥2,772	¥226,423	¥ —	¥226,423
Inter-segment sales and transfers	1,955	543	—	352	2,851	770	3,622	(3,622)	—
Total	¥67,526	¥23,813	¥70,949	¥64,212	¥226,502	¥3,542	¥230,045	¥ (3,622)	¥226,423
Segment profit (loss) (Operating income (loss))	¥ 8,406	¥ 2,189	¥ 5,791	¥ 647	¥ 17,034	¥ 20	¥ 17,055	¥ (909)	¥ 16,146
Segment assets	74,541	30,560	97,777	55,782	258,663	3,099	261,763	32,335	294,098
Other items:									
Depreciation and amortization	¥ 2,984	¥ 1,036	¥ 6,975	¥ 1,719	¥ 12,715	¥ 23	¥ 12,739	¥ —	¥ 12,739
Investments in an affiliate accounted for by the equity method	—	—	—	329	329	—	329	—	329
Increase in property, plant and equipment and intangible assets	3,220	1,244	8,535	1,371	14,372	16	14,388	—	14,388

	Thousands of U.S. dollars								
	2021								
	Reportable Segments								
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1	Total	Adjustments and eliminations*2	Consolidated
Sales, operating income and assets:									
Sales to third parties	$539,321	$175,163	$521,883	$481,255	$1,717,624	$29,275	$1,746,899	$ —	$1,746,899
Inter-segment sales and transfers	14,488	2,757	—	3,059	20,305	6,331	26,637	(26,637)	—
Total	$553,810	$177,921	$521,883	$484,315	$1,737,930	$35,606	$1,773,536	$(26,637)	$1,746,899
Segment profit (Operating income)	$ 71,020	$ 7,372	$ 33,548	$ (19,897)	$ 92,045	$ (2,982)	$ 89,062	$ (8,700)	$ 80,362
Segment assets	689,585	268,831	883,925	505,931	2,348,274	31,750	2,380,025	395,992	2,776,018
Other items:									
Depreciation and amortization	$ 26,305	$ 10,190	$ 62,419	$ 14,902	$ 113,818	$ 738	$ 114,556	$ —	$ 114,556
Investments in an affiliate accounted for by the equity method	—	—	—	3,121	3,121	—	3,121	—	3,121
Increase in property, plant and equipment and intangible assets	21,879	10,463	30,386	11,517	74,247	635	74,882	—	74,882

*1 The "Other" segment consisted of business segments not classified into the aforementioned four reporting segments, including building maintenance business, insurance agency business and others.

*2 (1) The adjustments and eliminations of segment profit or loss of ¥963 million ($8,700 thousand) included the following: ¥51 million ($462 thousand) of intersegment profit eliminations and ¥1,014 million ($9,162 thousand) of corporate expenses, which were not allocable to the reportable segments.

(2) The adjustments and eliminations of segment assets of ¥43,840 million ($395,992 thousand) included the following: ¥868 million ($7,847 thousand) of intersegment transaction eliminations and ¥44,709 million ($403,840 thousand) of corporate assets, which were not allocable to the reportable segments. The corporate assets were mainly cash and cash equivalents and investments in securities.

*3 (1) The adjustments and eliminations of segment profit of ¥909 million included the following: ¥94 million of intersegment profit eliminations and ¥1,003 million of corporate expenses, which were not allocable to the reportable segments.

(2) The adjustments and eliminations of segment assets of ¥32,335 million included the following: ¥903 million of intersegment transaction eliminations and ¥33,238 million of corporate assets, which were not allocable to the reportable segments. The corporate assets were mainly cash and cash equivalents and investments in securities.

(4) Geographical information

Sales to third parties by country or geographical area for the fiscal years ended March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥ 83,704	¥ 96,526	$ 756,065
U.S.A.	44,754	52,356	404,247
Europe	19,413	24,969	175,354
Indian-Ocean Rim	12,558	16,343	113,704
China	17,316	17,341	156,409
Korea and Taiwan	7,847	9,179	70,833
Other	7,775	9,704	70,233
Total	¥193,399	¥226,423	$1,746,899

Property, plant and equipment by country or geographical area at March 31, 2021 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥ 76,302	¥ 77,473	$ 689,212
U.S.A.	16,452	17,391	148,612
Europe	5,824	5,588	52,605
Indian-Ocean Rim	3,413	4,032	30,834
China	7,510	8,283	67,838
Korea and Taiwan	3,996	4,158	36,098
Other	1,559	1,651	14,086
Total	¥115,059	¥118,579	$1,039,288

The information by major customer for the fiscal years ended March 31, 2021 and 2020 was summarized as follows:

Customer	Related segment	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Tsubakimoto Kogyo Co., Ltd.	Chains, Power Transmission Units and Components, Auto-motive Parts, Materials Handling Systems	**¥23,728**	¥26,273	**$214,326**

(5) Impairment loss on fixed assets per reportable segments

Millions of yen

2021	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	**¥—**	**¥—**	**¥ 57**	**¥—**	**¥—**	**¥—**	**¥ 57**

Millions of yen

2020	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	¥—	¥—	¥ —	¥419	¥—	¥—	¥419

Thousands of U.S. dollars

2021	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	**$—**	**$—**	**$518**	**$—**	**$—**	**$—**	**$518**

(6) Information on amortization of goodwill per reportable segments and the balances as of and for the fiscal years ended March 31, 2021 and 2020

Millions of yen

2021	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	**¥13**	**¥—**	**¥—**	**¥ 263**	**¥—**	**¥—**	**¥ 277**
Balance at March 31, 2021	**—**	**—**	**—**	**2,533**	**—**	**—**	**2,533**

Millions of yen

2020	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥27	¥—	¥—	¥ 153	¥—	¥—	¥ 181
Balance at March 31, 2020	13	—	—	2,759	—	—	2,773

Thousands of U.S. dollars

2021	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	**$123**	**$—**	**$—**	**$ 2,381**	**$—**	**$—**	**$ 2,504**
Balance at March 31, 2021	**—**	**—**	**—**	**22,879**	**—**	**—**	**22,879**

31. SUBSEQUENT EVENTS

Distribution of retained earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements as of March 31, 2021, was approved at the General Meeting of Shareholders held on June 29, 2021.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥45.0 ($0.41) per share)	**¥1,665**	**$15,045**

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Independent Auditor's Report

The Board of Directors
TSUBAKIMOTO CHAIN Co.

Opinion

We have audited the accompanying consolidated financial statements of TSUBAKIMOTO CHAIN Co. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimates of total construction costs by applying the percentage-of-completion method for materials handling systems.	
Description of Key Audit Matter	Auditor's Response
The Company and its consolidated subsidiaries manufacture chains, power transmission units and components, automotive parts and materials handling systems.	The audit procedures we performed to assess the appropriateness of estimates of total construction costs for the significant locations of the Company and U.S. TSUBAKI HOLDINGS, INC. (the consolidated subsidiaries in the United States), based on the

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As described in Note 2 (P),"Summary of Significant Accounting Policies: Recognition of contract revenue and cost," the Company and its consolidated subsidiaries recognize revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain as of the end of the current fiscal year. To estimate the progress of such construction projects, the Company and its consolidated subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimates of total costs required to complete the project (cost to cost basis). For other construction projects for which the outcome cannot be reliably measured, the completed-contract method is applied. Out of the 193,399 million yen of net sales for the fiscal year ended March 31, 2021, the amount based on the percentage-of-completion method was 25,077 million yen, and it accounts for 13% of all sales. Revenue to which the percentage-of-completion method is applied is measured based on the stage of completion, and the stage of completion is calculated by comparing costs incurred to date with the most recent estimate of total costs required to complete the project. Total construction cost is estimated for each project using the working budget (budget prepared and approved for construction cost control) approved by the construction management department. Working budget is calculated by collecting specific information based on objective prices, such as internally authorized estimated unit prices or price quotations obtained from outside of the Company and its consolidated subsidiaries. However, since construction work is highly customized and the basic specifications and details are based on the customer's instructions, it is difficult to establish a standard methodology for making judgments when estimating total construction costs. Therefore, estimates of total construction costs	percentage-of-completion method, included the following, among others: -1 Test of internal control Regarding estimates of total construction costs, the audit procedures we performed to assess the design and test operation of the following internal control systems of the Company, included the following, among others: ・ Controls to ensure the reliability of working budget prepared and approved for construction cost control , which are prepared by person in charge of construction with expertise and proper authorization. ・ Controls to confirm that each element of total construction costs is calculated in detail using objective unit prices, such as internally authorized estimated unit price or price quotations obtained from outside of the Company and the consolidated subsidiaries in the United States. ・ Controls to estimate total construction costs in accordance with the status of construction, actual costs incurred, or instructions from customers if there are changes in specifications. ・ Controls to ensure that the construction cost management department (which is responsible for the reliability of construction costs) monitors profit or loss management and progress of construction projects in a timely and appropriate manner. -2 Test of the reasonableness of estimates of total construction costs For construction projects completed during the fiscal year ended March 31, 2021, we evaluated the process of estimating total construction costs by comparing prior estimates or re-estimates of total construction costs with the actual amount.

are subject to uncertainty because they involve assumptions and judgments by management with knowledge and experience related to construction projects. In addition, since construction work generally takes a long period of time to complete, and modifications in construction contracts or delays due to the bad weather and changes in costs of construction materials and labor may occur during the course of the construction, it is difficult to conduct reviews of total construction costs in a timely and appropriate manner. Given that estimates of total construction costs in calculating construction revenue and determining the percentage of completion was particularly important for the current fiscal year, we determined estimates of total construction costs to be a key audit matter.	• The audit procedures we performed to understand the construction projects with uncertainty in estimating total construction costs in accordance with the specifications of the construction contract amount, construction profit or loss, construction specifications, and construction status, included the following, among others: In addition, the same audit procedures for the consolidated subsidiaries in the United States were performed by the component auditor in the United States. • Regarding estimates of total construction costs, we performed comparison with the working budget, which is the basis for calculation of the construction cost, and examined whether the estimated cost corresponded with the construction objectives specified in the construction contract, whether the estimated cost is calculated by categorizing each type of work, and whether there are any adjustments in the working budget to address future uncertainties. • Considering the progress of constructions and costs incurred, we made inquiries with the person responsible for construction cost management about any decisions to revise estimate of total construction costs, and reviewed supporting documents used as the basis for responses to our inquiries.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 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 1to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

June 30, 2021

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