

FINANCIAL REPORT

(Report under Article 24, paragraph 1 of the Financial Instruments and Exchange Act)

Business Year from April 1, 2020 to March 31, 2021
(The 73rd Term)

(TRANSLATION)

ARISAWA MFG. CO., LTD.

E01152

TABLE OF CONTENTS

Page Number

Cover Page	
PART I. INFORMATION ON THE BUSINESS	1
I. General Conditions of Business	1
1. Changes in Principal Management Indicators, etc.	1
2. History	3
3. Description of Business	4
4. Status of Subsidiaries and Affiliated Companies	6
5. Status of Employees	8
II. Status of Business	9
1. Management Policy, Management Environment and Tasks to be Addressed.....	9
2. Business Risks, etc.	10
3. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers	11
4. Agreements with Managerial Implications, etc.	18
5. Research and Development Activities.....	18
III. Status of Facilities	20
1. Outline of Capital Investment	20
2. Status of Major Facilities.....	20
3. Plans for Installation and Retirement, etc. of Facilities.....	22
IV. Status of the Submitting Company	23
1. Status of Shares, etc.....	23
(1) Total Number of Shares, etc.	23
(2) Status of Stock Acquisition Rights, etc.	24
(3) Status of Exercise of Moving Strike Convertible Bonds, etc.	26
(4) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc....	26
(5) Status of Shareholder Categories.....	27
(6) Status of Major Shareholders	28
(7) Status of Voting Rights	30
(8) Director and Employee Stock Ownership Plan	30
2. Status of Acquisition of Treasury Stock, etc.	32
3. Dividend Policy	33
4. Status of Corporate Governance, etc.	34
(1) Outline of Corporate Governance.....	34
(2) Status of Directors and Officers	39
(3) Status of Audit.....	44
(4) Remuneration, etc. of Directors and Corporate Auditors	46
(5) Status of Shareholding.....	49
V. Status of Accounting	56
1. Consolidated Financial Statements, etc.	57
(1) Consolidated Financial Statements.....	57
(2) Other	109
2. Financial Statements, etc.	109
(1) Financial Statements.....	109
(2) Details of Major Assets and Liabilities	123
(3) Other	123
VI. Outline of Share Handling of the Submitting Company	123
VII. Reference Information on the Submitting Company	124
1. Information on Parent Company, etc. of Submitting Company	124
2. Other Reference Information	124
PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE SUBMITTING COMPANY	125
[Independent Auditors' Report]	

Cover Page

Document to be filed:	Financial Report
Statutory basis:	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	June 28, 2021
Business year:	The 73 rd Term (From April 1, 2020 to March 31, 2021)
Company name (Japanese):	<i>Kabushiki-Kaisha Arisawa Seisakusho</i>
Company name (English):	Arisawa Mfg. Co., Ltd.
Name and title of representative:	Yuta Arisawa, President and Representative Director
Location of head office:	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata
Telephone number:	(025) 524-5126
Contact person:	Shuichi Kubota, Operating Officer supervising, Accounting Department
Place of contact:	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata
Telephone number:	(025) 524-5126
Contact person:	Shuichi Kubota, Operating Officer supervising, Accounting Department
Places where copies of this Financial Report are made available for public inspection:	Arisawa Mfg. Co., Ltd., Tokyo Branch Office (12-5, Yanagibashi 2-chome, Taito-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

(1) Consolidated Management Indicators, etc.

Term	69 th term	70 th term	71 st term	72 nd term	73 rd term
Closing month	March 2017	March 2018	March 2019	March 2020	March 2021
Net sales (Millions of yen)	34,451	40,909	44,728	45,970	46,439
Ordinary income or loss (Δ) (Millions of yen)	2,690	4,044	4,297	2,783	3,578
Profit or loss (Δ) attributable to owners of the parent (Millions of yen)	2,037	3,453	2,861	212	2,160
Comprehensive income (Millions of yen)	1,821	4,498	2,200	Δ117	3,808
Net assets (Millions of yen)	48,551	52,493	53,462	49,018	47,444
Total assets (Millions of yen)	63,808	72,382	73,096	71,709	67,257
Net assets per share (Yen)	1,290.93	1,378.16	1,397.78	1,387.76	1,388.50
Net income or loss (Δ) per share (Yen)	57.20	96.35	79.15	6.14	64.94
Fully diluted net income per share (Yen)	57.06	95.51	78.70	6.12	64.84
Equity ratio (%)	72.2	68.6	69.3	64.3	68.8
Return on equity (%)	4.5	7.2	5.7	0.4	4.7
Price earnings ratio (Times)	13.7	10.2	10.0	130.7	15.4
Cash flows from operating activities (Millions of yen)	3,419	2,181	2,893	4,837	610
Cash flows from investing activities (Millions of yen)	Δ1,671	Δ471	Δ3,304	6,580	1,567
Cash flows from financing activities (Millions of yen)	419	Δ59	Δ576	Δ4,431	Δ5,703
Cash and cash equivalents at the end of period (Millions of yen)	7,026	8,829	7,718	14,725	11,488
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	1,305 (139)	1,426 (295)	1,432 (313)	1,454 (294)	1,433 (290)

Note: Consumption tax, etc. are not included in the amount of net sales.

(2) Management Indicators, etc. of the Submitting Company

Term	69 th term	70 th term	71 st term	72 nd term	73 rd term
Closing month	March 2017	March 2018	March 2019	March 2020	March 2021
Net sales (Millions of yen)	23,410	28,503	29,269	31,635	31,668
Ordinary income or loss (Δ) (Millions of yen)	1,898	2,451	2,602	2,365	1,932
Net income or loss (Δ) (Millions of yen)	1,516	2,503	1,947	6,792	1,396
Capital stock (Millions of yen)	7,317	7,458	7,541	7,594	7,623
Number of shares issued and outstanding (Thousands of shares)	35,679	36,024	36,226	36,381	34,470
Net assets (Millions of yen)	33,852	36,138	36,571	38,931	40,484
Total assets (Millions of yen)	42,643	46,195	45,688	51,535	49,859
Net assets per share (Yen)	944.94	999.83	1,005.76	1,166.03	1,208.98
Dividend per share (Yen) (Parenthesized figures indicate the amount of interim dividend per share included in the total)	20.00 (—)	34.00 (—)	30.00 (—)	30.00 (—)	39.00 (—)
Net income or loss (Δ) per share (Yen)	42.59	69.83	53.87	195.86	41.98
Fully diluted net income per share (Yen)	42.48	69.22	53.56	195.28	41.91
Equity ratio (%)	79.0	78.0	79.7	75.2	80.8
Return on equity (%)	4.6	7.2	5.4	18.1	3.5
Price earnings ratio (Times)	18.4	14.1	14.7	4.1	23.8
Dividend payout ratio (%)	47.0	48.7	55.7	15.3	92.9
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	589 (69)	592 (99)	602 (119)	614 (134)	606 (99)
Shareholders' gross yield (%) (Comparative Indicator : dividend-included TOPIX (Tokyo Stock Price Index))	139.5 (114.6)	180.9 (132.8)	152.5 (126.1)	159.3 (114.2)	200.5 (162.3)
Highest share price (Yen)	827	1,349	1,350	1,148	1,118
Lowest share price (Yen)	482	695	655	680	738

Note: 1. Consumption tax, etc. are not included in the amount of net sales.

2. "Highest share price" and "Lowest share price" are recorded in Tokyo Stock Exchange (First section).

2. History

- July 1949
 - Incorporation of Arisawa Mfg. Co., Ltd. (hereinafter referred to as either the “Company” or the “Submitting Company”, as the case may be), succeeding the businesses of “Arisawa Manufacturing”, which was founded in 1909 and manufactured Battenburg lace, narrow woven fabrics, electrical insulating tapes and glass fiber fabrics, etc.
- April 1954
 - Established a resin processing division.
- June 1954
 - Relocated the Head Office from Ohmachi, Takada-shi (currently Joetsu-shi), Niigata to Minami-honcho, Takada-shi.
- May 1959
 - Opened Tokyo Sales Office and Osaka Sales Office.
- September 1960
 - OTC trading of the Company’s stock started at Tokyo Securities Dealers Association.
- October 1961
 - The Company’s stock was listed on the Second Section of Tokyo Stock Exchange.
- December 1966
 - Incorporated Arisawa Jushi Kogyo Co., Ltd. (currently a consolidated subsidiary), which conducts molding and processing of resin products related to industrial application structural materials.
- June 1968
 - Opened a factory in Oaza-Nakadahara, Takada-shi (currently Joetsu-shi), Niigata, establishing new resin processing facilities.
- August 1973
 - Incorporated Eagle Co., Ltd., which operates a driving range.
- March 1974
 - Incorporated Myoko Shinko Co., Ltd., which conducts processing of resin products related to electrical insulating materials.
- June 1974
 - Absorbed Arisawa Shoji Co., Ltd. and reorganized the sales division into Tokyo Branch Office and Osaka Branch Office (Osaka Branch Office was closed down in September 2015).
- April 1976
 - Incorporated Yuai Sangyo, Ltd., which manufactures glass fiber fabrics and special fiber fabrics related to electrical insulating materials.
- May 1987
 - Incorporated Arisawa Logistics, Ltd., which conducts warehouse management and logistics operations.
- July 1991
 - Incorporated Polatechno Co., Ltd. (which manufactures polarizing plates for use in liquid crystal displays) through joint capital investment with Nippon Kayaku Co., Ltd.
- December 1994
 - Opened Technological Development Center on the premises of Nakadahara Factory.
- October 1996
 - Acquired Arisawa Polywork Co., Ltd. (which conducts molding and processing of resin products related to industrial application structural materials) with capital contribution of Arisawa Logistics, Ltd.
- July 1999
 - Opened a factory in Oaza-Nakadahara (on the west side of the current Nakadahara Factory), Joetsu-shi, Niigata, establishing new resin processing facilities.
- July 2000
 - Incorporated Arisawa Fiber Glass Co., Ltd. (currently a consolidated subsidiary), spinning off the glass cloth manufacturing division of the Submitting Company (related to electronic materials and electrical insulating materials) and consigning manufacture of glass cloth to Arisawa Fiber Glass Co., Ltd.
- September 2002
 - The Company’s stock was listed on the First Section of Tokyo Stock Exchange.
- April 2003
 - Myoko Shinko Co., Ltd. absorbed Arisawa Polywork Co., Ltd., Yuai Sangyo, Ltd. and Arisawa Logistics, Ltd. and changed its corporate name to Arisawa Sogyo Co., Ltd. (currently a consolidated subsidiary).
- March 2006
 - Stock of Polatechno Co., Ltd. was listed on the JASDAQ Securities Exchange.
- October 2009
 - Acquired shares of ThinFlex Corporation (currently a consolidated subsidiary).
- December 2010
 - Howa Sangyo Ltd., a subsidiary, changed its corporate name to Protec International Holdings Co., Ltd. (currently a consolidated subsidiary) and acquired shares of Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc. (both currently consolidated subsidiaries)
- July 2011
 - Arisawa Sogyo Co., Ltd. absorbed Eagle Co., Ltd.
- October 2015
 - Opened Kansai Sales Office in Kyoto-shi, Kyoto. (Relocated to Osaka-shi, Osaka in March 2018)
- November 2017
 - Acquired all shares of Satosen Co., Ltd., which conducts manufacturing and sales of electronic materials (currently a consolidated subsidiary).
- October 2019
 - Sold all shares of Polatechno Co., Ltd. excluding it from the affiliate companies accounted for under equity method.

3. Description of Business

Our corporate group (hereinafter referred to as either “our Group” or the “Group”, as the case may be) is comprised of the Company, fourteen (14) subsidiaries and four (4) affiliated companies and is engaged in manufacturing and sales of electronic materials, industrial application structural materials, electrical insulating materials and display materials. It also develops business activities such as sales of goods related to each business segment as well as logistics and other services.

Description of business of our Group and the capacities of the Company and its associated companies with respect to each business segment are as follows.

The business segments shown below are categorized in the same manner as those shown in V. Status of Accounting – 1. Consolidated Financial Statements, etc. – (1) Consolidated Financial Statements – [Notes].

(1) Electronic Materials

The Company manufactures and sells materials for flexible and rigid printed circuit boards, etc. that are used as electronic materials, while Arisawa Fiber Glass Co., Ltd., a subsidiary, manufactures glass cloth for printed circuit boards. ThinFlex Corporation, a subsidiary, also manufactures and sells materials for flexible printed circuit boards, etc., while Satosen Co., Ltd., a subsidiary, manufactures and sells rigid printed circuit boards.

(2) Industrial Application Structural Materials

The Company and its subsidiaries, Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc. manufacture and sell filament winding molded products for use as industrial application structural materials. The Company manufactures and sells honeycomb panels and prepregs, etc. for aircraft. Arisawa Sogyo Co., Ltd., a subsidiary, manufactures and sells pultrusion molded products and FRP ski sheets, etc.

Protec International Holdings Co., Ltd. conducts business management of the aforesaid Protec Arisawa companies as the holding company of these subsidiaries engaged in the water treatment business with their filament winding molded products.

(3) Electrical Insulating Materials

Arisawa Fiber Glass Co., Ltd., a subsidiary, manufactures glass cloth and glass tapes for use as electrical insulating materials, and the Company sells such glass cloth and glass tapes. The Company manufactures and sells prepregs, etc. for electrical insulation, while Arisawa Sogyo Co., Ltd., a subsidiary, and Arisawa Jushi Kogyo Co., Ltd., another subsidiary, manufacture these products.

(4) Display Materials

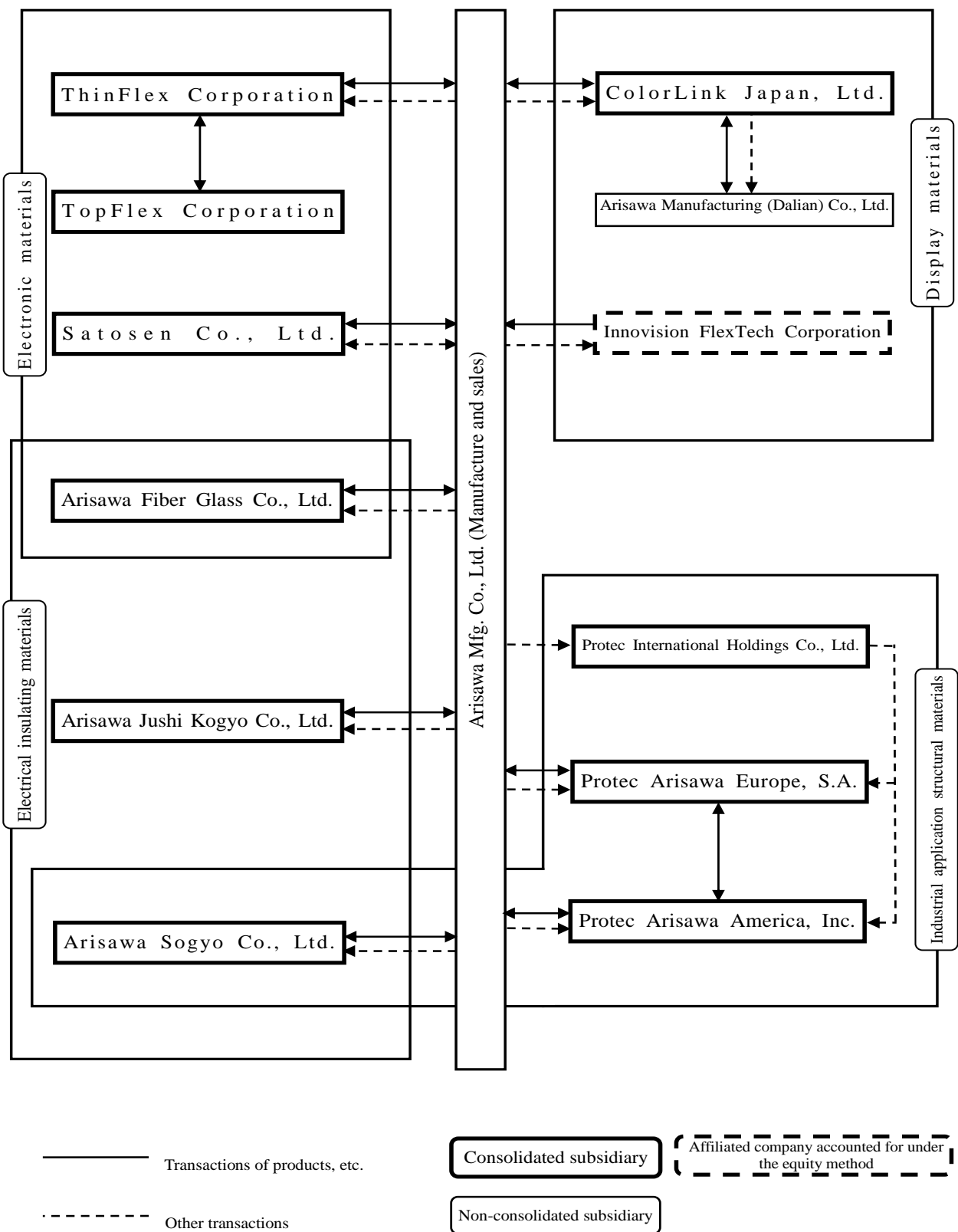
The Company manufactures and sells 3D display filters, etc. for use as display materials. ColorLink Japan, Ltd., a subsidiary, manufactures and sells special optical components, with Arisawa Manufacturing (Dalian) Co., Ltd. also conducting the post-process operations for such special optical films. Innovision FlexTech Corporation manufactures and sells screens, etc.

(5) Other Businesses

The Company conducts sales of the related goods mentioned above in (2) and (3). In addition, Arisawa Sogyo Co., Ltd., a subsidiary, conducts logistics operations and also operates a driving range.

The above matters are abstracted in the following Business Activities Diagram.

(Business Activities Diagram)



(Note) Arisawa Sogyo Co., Ltd. is engaged in other businesses in addition to the manufacture of electrical insulating materials and the manufacture and sales of industrial application structural materials.

4. Status of Subsidiaries and Affiliated Companies

Name	Location	Capital stock (Thousands of yen except as otherwise noted)	Description of core business	Voting interest held by the Company (%)	Relevant descriptions
(Consolidated subsidiaries) ThinFlex Corporation (See Note 2 and Note 6)	Kaohsiung County, Taiwan	1,006,377 (Thousands of Taiwan dollar)	Electronic materials	84.5	Supply of raw materials as well as sales of products related to electronic materials, Concurrent directorship
ThinFlex Technology Corporation (B.V.I.) (See Note 2)	British Virgin Islands	15,710 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	---
TopFlex Corporation (See Note 2 and Note 5)	Kunshan City, P.R. China	17,000 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	Sales of electronic material products
Satosen Co., Ltd.	Osaka-shi, Osaka	99,540	Electronic materials	100.0	Leasing of land Concurrent directorship
Arisawa Fiber Glass Co., Ltd. (See Note 2)	Joetsu-shi, Niigata	100,000	Electronic materials, Electrical insulating materials	100.0	Consignment manufacture of glass fiber fabrics related to electronic materials and electrical insulating materials, Leasing of buildings and manufacturing equipment, Financial support, Concurrent directorship
Protec International Holdings Co., Ltd.	Joetsu-shi, Niigata	101,830	Industrial application structural materials	100.0	Financial support, Concurrent directorship
Protec Arisawa Europe, S.A.	Munguia, Spain	1,670 (Thousands of euro)	Industrial application structural materials	100.0 (100.0)	Financial support, Concurrent directorship
Protec Arisawa America, Inc.	Vista, CA, U.S.A.	3,200 (Thousands of US dollar)	Industrial application structural materials	100.0 (100.0)	Financial support, Concurrent directorship
Arisawa Sogyo Co., Ltd.	Joetsu-shi, Niigata	30,950	Electrical insulating materials, Industrial application structural materials, Other businesses	100.0	Consignment manufacture as well as consignment of warehousing and logistics operations of resin products related to electrical insulating materials and industrial application structural materials, Leasing of buildings, machinery and equipment
Arisawa Jushi Kogyo Co., Ltd.	Joetsu-shi, Niigata	10,000	Electrical insulating materials	100.0	Consignment manufacture of resin products related to electrical insulating materials, Leasing of land and buildings, Concurrent directorship
ColorLink Japan, Ltd.	Joetsu-shi, Niigata	198,201	Display materials	97.2	Leasing of buildings, machinery and equipment, Supply of raw materials, Concurrent directorship

Name	Location	Capital stock (Thousands of yen except as otherwise noted)	Description of core business	Voting interest held by the Company (%)	Relevant descriptions
(Affiliated companies accounted for under the equity method)					
Innovision FlexTech Corporation	Kaohsiung City, Taiwan	263,516 (Thousands of Taiwan dollar)	Display materials	35.4	Sales and purchase of products related to display materials, Concurrent directorship

- Note:
1. Segment names are stated in the column "Description of core business".
 2. The company falls under the category of specified subsidiary.
 3. Parenthesized figures in the column "Voting interest held by the Company" indicate the ratio of indirect ownership to the pertinent total.
 4. The company submits its own financial report.
 5. Net sales (excluding inter-company sales between the consolidated companies) of TopFlex Corporation account for more than ten hundredths (10/100) of the Group's consolidated net sales.

Key income and loss indices, etc. of TopFlex Corporation

(Thousands of yen)

(1) Net sales	6,760,807
(2) Ordinary income	555,170
(3) Net income	495,492
(4) Net assets	2,269,230
(5) Total assets	7,830,500

6. The percentage of the voting rights in ThinFlex Corporation increased from 52.3% to 84.5% due to the tender offer made from December 8, 2020 to January 26, 2021.

5. Status of Employees

(1) Status of Consolidated Group

(As of March 31, 2021)

Segment name	Number of employees	
Electronic materials	859	(183)
Industrial application structural materials	194	(48)
Electrical insulating materials	89	(9)
Display materials	210	(14)
Total of reportable segments	1,352	(254)
Other	37	(25)
Unallocated (Common)	44	(11)
Total	1,433	(290)

Note: 1. The column “Number of employees” indicates the number of full-time employees (excluding persons on loan to companies outside our Group from those within our Group and including persons on loan to companies within our Group from those outside our Group), while the annual average number of temporary employees (including part-timers, employees dispatched from staffing agencies and seasonal workers) is stated in the parentheses.

2. The number of employees stated as that of “Unallocated (Common)” is the number of those who belong to the administrative departments of the Company.

(2) Status of Submitting Company

(As of March 31, 2021)

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
606 (99)	43.8	20.1	5,820

Segment name	Number of employees	
Electronic materials	352	(69)
Industrial application structural materials	33	(12)
Electrical insulating materials	37	(6)
Display materials	140	(1)
Total of reportable segments	562	(88)
Unallocated (Common)	44	(11)
Total	606	(99)

Note: 1. The column “Number of employees” indicates the number of full-time employees (excluding persons on loan to other companies from the Company and including persons on loan to the Company from other companies), while the annual average number of temporary employees (including part-timers, employees dispatched from staffing agencies and seasonal workers) is stated in the parentheses.

2. “Average annual salary” includes bonuses and extra wages.

3. The number of employees stated as that of “Unallocated (Common)” is the number of those who belong to the administrative departments of the Company.

(3) Status of Labor Union

The labor union of the Submitting Company belongs to the local division of the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers’ Unions and has made sound development since its formation in 1946. The labor-management relations are harmonious, and efforts are made to develop the Company’s business through mutual cooperation. The union membership as of March 31, 2021 stands at 472 members.

II. Status of Business

1. Management Policy, Management Environment and Tasks to be Addressed

The Company and our corporate Group, ever since its initiation, have been working on technological innovations and product development to build up unique technologies that integrate the “weaving, coating and molding” elements of its expertise while consistently fulfilling users’ needs, thereby increasing its corporate value. Along with the globalization of markets and the rapid diversification of needs, we will strive to further differentiate technologies as well as improve quality and productivity, thereby creating corporate value.

Note that matters stated concerning the future in the text are based on judgments made by our Group as of the end of the current consolidated fiscal year.

(1) Basic Policies of Corporate Management

Grounded in the motto “Create, Innovate and Challenge”, our Group makes it its management policy to:

- (i) create new values and enhance customer satisfaction;
- (ii) anticipate customer needs and create a new business with creative technology;
- (iii) improve quality and productivity, and strengthen business quality.
- (iv) contribute to solving the social and environmental issues, and realize the sustainable growth.

Under such management policy, we aim to create corporate value and, along with the improvement of capital efficiency and contribution to society, enhance shareholder value of the Company by means of enhancing customer satisfaction, developing differentiated products with our unique technology and improving profitability through thorough cost reduction.

(2) Mid- to Long-Term Management Strategies

Our corporate group aims to work on technological innovation and product development while consistently fulfilling users’ needs and realize its sound survival and sustainable growth, thereby increasing its mid- to long-term corporate value. Specifically, to maintain and expand the revenue base of existing business, we implement strategic investments in new business that maximizes the synergy effect with existing business and has a high profitability of capital besides improving and expanding productivity and investing in the development of new products that anticipate user’s needs.

- In the electronic materials segment, we proceed with the development of new products, centering on mobile devices, in-vehicle devices and semiconductors. We also continue our exhaustive cost-cutting efforts and closely collaborate with the consolidated subsidiaries in pursuit of enhanced competitiveness and expanded market shares.
- In the industrial application structural materials segment and electrical insulating materials segment, we promote new product development and sales expansion focusing on transportation infrastructure, water treatment and electrical insulating, with a view to maintaining sound profitability and expanding market shares.
- In the display materials segment, we work to further expand sales of new products utilizing our unique optical technology primarily in the fields of high-definition displays for medical use.
- We deepens collaboration with the overseas consolidated subsidiaries and work to further expand sales by strengthening the technical service to customers.

The Group announced the medium-term management plan that incorporates the above-mentioned contents on October, 2020.

We aim to achieve ROIC (Return on Invested Capital) of 6% or more for the fiscal year ending on March 31, 2025.

(3) Business and Financial Tasks to be Preferentially Addressed

Our Group promotes the following as the tasks to be addressed in order to ensure accelerated and thorough implementation of the aforesaid management strategies.

- Exhaustive review of manufacturing technologies and materials selection in order to realize more competitive cost structure
- Thorough cost reduction by means of improving management techniques (centering on the Arisawa Production System) and proprietary technologies as well as enhancing professional competence of individual employees
- Promotion of enhanced cooperation among the manufacturing, sales and technical divisions in pursuit of more efficient business operations
- We implement strategic investments in new business that maximizes the synergy effect with existing business and has a high profitability of capital.

It should be noted that our corporate group has cash on hand and an adequate liquid fund by entering into loan commitment agreements while the impact of the new corona virus infection (COVID-19) continues. Although a prospect of demands for air travelers is uncertain and a fall in some demand is expected in segments such as industrial application structural materials segment that deals with the materials for aircraft in the future due to the travel restrictions, we expect that our corporate group as a whole will stay solid including the mainstay electronic materials segment due to an incorporation of stay-at-home consumption, etc. If it takes time to settle the situation, the impact may be greater than we expect, but we will implement each of the above measures in the medium-term management plan for October, 2020 promptly while paying close attention to market conditions and ensure our sound survival and sustainable growth.

(4) Objective Indicators, etc. for Judgement on the Status of Achievement of Managerial Goals

The Group sets ROIC as a target management indicator and aims at ROIC of 6% or more for the fiscal year ending on March 31, 2025 in the medium-term management plan for October, 2020.

The results for the fiscal year ending on March 31, 2021 were 4.2%.

2. Business Risks, etc.

Among the matters related to the status of business and the status of accounting, etc., which are stated in the Financial Report, the major risks that the corporate managers recognize may have a significant impact on the consolidated financial position, business results and cash flows of the consolidated companies are as follows.

The matters stated concerning the future in the text are based on judgments made by our Group as of the end of the current consolidated fiscal year.

(1) Fluctuations in Demand for Products

Major users of the products manufactured and sold by our Group are information equipment manufacturers, electronic component manufacturers, industrial electronic device manufacturers, etc., and fluctuations in demand for these electronic devices affect the results of operations of our Group.

(2) Dependence on Particular Products

Net sales of our Group depend largely on the electronic materials segment. A sales decline in this segment may affect the results of operations of our Group.

(3) Development of New Businesses

Our Group is making efforts to launch several new businesses, and the status of progress in such efforts may affect the results of operations of our Group.

(4) Procurement of Raw Materials

If purchase prices of the raw materials purchased by our Group rise sharply due to escalating price of crude oil and copper, such rise may affect the results of operations of our Group.

(5) Impact of Disasters

The vast majority of our Group's production bases are located in Joetsu-shi, Niigata, Japan. In the event of an earthquake or other disaster, the resultant disruption or interruption of production activities, etc. may affect the results of operations of our Group.

(6) Environmental Regulations

Businesses of our Group are subject to various legal regulations, including, but not limited to, those applicable to environmental protection. If any significant liability or obligation accrues to our Group in connection with compliance with any such environmental or other kind of regulation, such liability or obligation may affect the results of operations of our Group.

(7) The Impact of the Spread of the New Corona Virus Infection

With regard to the spread of the new corona virus infection (COVID-19), while vaccination has been started and there has been some progress towards its containment, it remains uncertain because the timing of the containment of the new corona virus infection (COVID-19) can not be predicted and it is concerned that the effect on the economy will be prolonged. The disruption of supply chain and production activities and the negative impact on the domestic economy and markets, etc. may affect the results of operation of our Group.

Furthermore, our Group gives first priority to the safety and health of all the stakeholders and implements not only the infection prevention measures thoroughly in accordance with the administrative guidelines to prevent the further spread of the infection but also the measures such as prohibition of domestic and overseas business trips in principle with an effective utilization of teleconference system, implementation of telework (working from home), an opening of a satellite office, etc.

3. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers

(1) Overview of Operating Results, etc.

Overview of financial conditions, results of operations and status of cash flows (hereinafter referred to as operating results, etc.) of the Group (the Company, a consolidated subsidiary and companies accounted for under the equity method) in the consolidated fiscal year is as follows.

i) Financial Position and Operating Results

The Japanese economy in the current consolidated fiscal year fell into a difficult situation due to the stagnant economic activities caused by the spread of the new corona virus infection (COVID-19). It also remained uncertain because the containment of the new corona virus infection (COVID-19) could not be predicted and it was concerned that the effect on the economy was prolonged.

Under such circumstances, the business results of our Group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) for the current consolidated fiscal year showed net sales of 46,439 million yen (representing a 1.0% increase as compared with the previous consolidated fiscal year), an operating income of 3,118 million yen (representing a 12.9% increase as compared with the previous consolidated fiscal year), an ordinary income of 3,578 million yen (representing a 28.6% increase as compared with the previous consolidated fiscal year) and a profit attributable to owners of the parent of 2,160 million yen (representing a 915.4% increase as compared with the previous consolidated fiscal year).

Business results with respect to each segment are as follows.

Electronic materials

In the electronic materials segment, net sales were 31,650 million yen, representing a 6.3% increase as compared with the previous consolidated fiscal year due to a steady increase in the sales of our mainstay product, i.e. materials for flexible printed circuit boards for multi-functional cellular phones (the amount of orders received increased by 2.5% to 19,192 million yen, and the production output increased by 11.5%, as compared with the previous consolidated fiscal year on a non-consolidated basis of the Submitting Company), while the segment income or loss recorded an income of 2,981 million yen (representing a 27.9% increase as compared with the previous consolidated fiscal year) due to a steady increase in sales of materials for flexible printed circuit boards and an improvement in performance of Satosen Co., Ltd.

Industrial application structural materials

In the industrial application structural materials segment, due to a significant decrease in sales of materials for aircraft and yet the sales launch of in-car materials, net sales were 8,842 million yen, representing a 1.5% decrease as compared with the previous consolidated fiscal year, a decrease of 131 million yen from the previous consolidated fiscal year, while the segment income or loss recorded an income of 939 million yen (representing a 36.3% decrease as compared with the previous consolidated fiscal year) due to a decrease in sales of materials for aircraft.

Electrical insulating materials

In the electrical insulating materials segment, due to a decrease in infrastructure-related sales, net sales were 2,340 million yen, representing a 21.6% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 192 million yen (representing a 47.6% decrease as compared with the previous consolidated fiscal year) due to a decrease in sales.

Display materials

In the display materials segment, due to a decrease in 3D imaging-related materials sales, net sales were 2,820 million yen, representing a 17.7% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 221 million yen, representing a 5.9% decrease as compared with the previous consolidated fiscal year due to an improvement in performance of ColorLink Japan Ltd.

Other (other businesses)

In other businesses, net sales were 786 million yen, representing a 4.0% decrease as compared with the previous consolidated fiscal year, while the segment income or loss recorded an income of 243 million yen (representing a 9.7% increase as compared with the previous consolidated fiscal year).

The amounts of net sales, orders received, etc. stated in this section do not include consumption tax, etc.

ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as the “Funds”) as of the end of the current consolidated fiscal year were 11,488 million yen, representing a year-on-year decrease of 3,237 million yen, or 22.0%.

The following is the status of each cash flow category during the current consolidated fiscal year and the key factors of such status.

(Cash flows from operating activities)

Funds earned from operating activities were 610 million yen, representing an 87.4% decrease as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising 3,516 million yen in income before income taxes and 2,107 million yen in depreciation, etc. as well as a decrease in the Funds comprising 4,970 million yen in income taxes paid, etc.

(Cash flows from investing activities)

Funds disbursed for investing activities were 1,567 million yen, representing a 76.2% decrease as compared with the previous consolidated fiscal year. This was due largely to an increase of 5,610 million yen, etc. from sales of investment securities by selling bonds held, etc. for the tender offer aimed at making ThinFlex Corporation, a consolidated subsidiary in Taiwan, a wholly owned subsidiary as well as a decrease in the Funds comprising the expenditure of 1,908 million yen for purchases of property, plant and equipment and the expenditure of 1,771 million yen for payments into time deposits, etc.

(Cash flows from financing activities)

Funds disbursed from financing activities were 5,703 million yen, representing a 28.7% increase as compared with the previous consolidated fiscal year. This was due largely to a decrease of 4,324 million yen for acquisition of a subsidiary without change of scope of consolidation by the tender offer for ThinFlex Corporation, a consolidated subsidiary in Taiwan, etc.

iii) Status of Production, Receipt of Orders and Sales

1) Production Results and Status of Receipt of Orders

Our Group (the Company and its consolidated subsidiaries; the same shall apply hereinafter) manufactures and sells such an extensive and varied range of products that even the products of the same type are not necessarily uniform in capacity, construction, form or other respects. Also, quite a few of our products are not manufactured on a made-to-order basis. Such being the case, we do not indicate any segmentalized production volume and order volume in monetary amounts or quantities.

For this reason, we indicate the status of production, receipt of orders and sales in a correlation with the business results with respect to each of the segments shown in “(1) Overview of Operating Results, etc. - i) Financial Position and Operating Results”

2) Sales Results

Net sales for the current consolidated fiscal year with respect to each reportable segment are as follows.

Segment name	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021) (Millions of yen)	Comparison with the previous consolidated fiscal year (%)
Electronic materials	31,650	6.3
Industrial application structural materials	8,842	△1.5
Electrical insulating materials	2,340	△21.6
Display materials	2,820	△17.7
Total of reportable segments	45,653	1.1
Other	786	△4.0
Total	46,439	1.0

Note: 1. Inter-segment transactions are eliminated by setoff.

2. Sales results with respect to each major customer and their respective ratios to the total sales amount for the last two consolidated fiscal years are as follows.

Customer name	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)		Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Sumitomo Shoji Chemicals Co., Ltd.	5,381	11.7	4,986	10.7

3. The amounts stated above do not include consumption tax, etc.

(2) Details of analysis and study regarding the conditions of operating results etc. from the viewpoint of corporate managers.

Details of perception, analysis and study regarding the conditions of operating results etc. of our Group from the viewpoint of corporate managers are as followings.

The matters regarding future in the following sentences were judged as of end of the current consolidated fiscal year.

i) Details of Perception, Analysis and Study regarding Financial Position and Conditions of Operating Results

In the current consolidated fiscal year, we worked for the continuous growth of existing business by making the capital expenditures for improvement and expansion of production capacity mainly related to our mainstay electronic materials. At the same time, we continued an aggressive effort for the market expansion and the growth of our Group by developing new products that anticipated changes in markets in each segment. Electronic materials, as the core products of our Group, increased in orders (including our subsidiary, "ThinFlex Corporation") for multifunctional mobile devices and supported the whole Group. Regarding industrial application structural materials, electrical insulating materials, and display materials, we look forward to further growth and we will continue to develop new products and to increase profitability.

Meanwhile, in the course of the current consolidated fiscal year, the new corona virus infection spread and has not been entirely contained as of this moment. Its impact is described in "II. Status of Business 1. Management Policy, Management Environment and Tasks to be Addressed." Also, factors that may give material impact to operating results of our Group are described in "II. Status of Business 2. Business Risks, etc.", so please refer to it.

Analysis of financial position and operating results in the current consolidated fiscal year of our Group is as follows.

1) Analysis of Financial Conditions

(Assets)

Total assets as of the end of the current consolidated fiscal year were 67,257 million yen (71,709million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 4,452 million yen, or 6.2%.

The main factor for this is a decrease of investment securities by selling bonds held for the tender offer aimed at making ThinFlex Corporation, a consolidated subsidiary in Taiwan, a wholly owned subsidiary. (Liabilities)

Total liabilities as of the end of the current consolidated fiscal year were 19,812 million yen (22,691 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 2,878 million yen, or 12.7%.

The main factor for this is that 277 million yen was shown in the current consolidated fiscal year due to tax payment, etc., representing a decrease of 3,150 million yen, while income tax payable, etc. of 3,428 million yen were shown due to the profit from sales of shares of Polatechno Co., Ltd., etc. in the previous consolidated fiscal year. (Net assets)

Total net assets as of the end of the current consolidated fiscal year were 47,444 million yen (49,018 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 1,573 million yen, or 3.2%. The main factor for this is a decrease of 232 million yen in capital surplus, etc. due to an additional acquisition of shares of ThinFlex Corporation, a consolidated subsidiary in Taiwan.

2) Analysis of Results of Operations

(Net sales)

Net sales for the current consolidated fiscal year were 46,439 million yen (45,970 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 469 million yen, or 1.0%. Cost of sales was 38,501 million yen (38,224 million yen for the previous consolidated fiscal year) through our thorough cost-cutting efforts, representing a year-on-year increase of 277 million yen and signifying a 0.2 percentage point increase in the ratio of cost of sales to 82.9%.

As a result, gross profit was 7,938 million yen (7,745 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 192 million yen and signifying a 0.2 percentage point increase in the ratio of gross profit to 17.1%.

(Operating income or loss)

Total selling, general and administrative expenses for the current consolidated fiscal year were 4,820 million yen (4,983 million yen for the previous consolidated fiscal year) through our thorough cost-cutting efforts, representing a year-on-year decrease of 163 million yen and signifying a 0.4 percentage point decrease in the ratio of selling, general and administrative expenses to 10.4%.

As a result, operating income was 3,118 million yen (2,762 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 356 million yen and signifying a 0.7 percentage point increase in the ratio of operating profit to 6.7%.

(Ordinary income or loss)

Non-operating income and expenses for the current consolidated fiscal was an income of 459 million yen (an income of 21 million yen for the previous consolidated fiscal year), representing an increase of 438 million yen. A main factor for this is foreign exchange gains and losses. It was a foreign exchange loss in the previous consolidated fiscal year, but it is a foreign exchange gain in the current consolidated fiscal year, representing an increase of 341 million yen.

As a result, ordinary income was 3,578 million yen (2,783 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 794 million yen and signifying a 1.6 percentage point increase in the ratio of ordinary profit to 7.7%.

(Income or loss before income taxes)

Extraordinary income or loss for the current consolidated fiscal year recorded a loss of 61 million yen (an income of 339 million yen for the previous consolidated fiscal year), representing a decrease of 400 million yen. The main factor for this was a decrease of gain or loss on sales of investment securities (an income of 1,291 million yen for the previous consolidated fiscal year and an income of 9 million yen for the current consolidated fiscal year, representing a decrease of 1,281 million yen) and an increase due to a decrease in an impairment loss of 581 million yen (including an impairment loss of goodwill). As a result, income before income taxes was 3,516 million yen (3,122 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 394 million yen and signifying a 0.8 percentage point increase in the ratio of profit before income taxes to 7.6%.

(Profit or loss attributable to owners of the parent)

Total income taxes for the current consolidated fiscal year were 918 million yen (2,678 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,760 million yen. As the bottom line, profit attributable to owners of the parent for the current consolidated fiscal year was 2,160 million yen (212 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,947 million yen and signifying a 4.2 percentage point increase in the ratio of profit attributable to owners of the parent to 4.7%.

ii) Details of Analyses and Study Regarding Cash Flows and Information on Financial Resources for Capital and Liquidity of Funds

Status of each cash flow category during the current consolidated fiscal year and the factors behind such status are stated in II. Status of Business - 3. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers - (1) Overview of Operating Results, etc. - ii) Cash Flows.

(Cash flow indicators)

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Equity ratio (%)	64.3	68.8
Equity ratio on a mark-to-market basis (%)	37.2	49.6
Ratio of interest-bearing liabilities to cash flows (Years)	1.7	13.6
Interest coverage ratio (Times)	76.5	3.7

Note: Equity ratio: Total shareholders' equity / Total assets

Equity ratio on a mark-to-market basis: Total market capitalization / Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest paid

1. All indicators above are calculated on the basis of the consolidated financial results.
2. Total market capitalization is calculated by multiplying the number of shares issued and outstanding at the end of the period (excluding treasury stock) by the closing price per share at the end of the period.
3. Interest-bearing liabilities represent all those liabilities (stated in the consolidated balance sheets) on which interest is paid.
4. For operating cash flows, the amount of "Net cash provided by (used in) operating activities" stated in the consolidated statements of cash flows is used. For the interest paid, the amount of "Interest expenses paid" stated in the consolidated statements of cash flows is used.

1) Financial resources for capital and liquidity of funds

Our Group makes it our basic policy to stably secure the liquidity of funds and the resources of capital required for business operations. Though we basically use our own capital for short-term working capital, we hold a contract for overdraft and loan commitment agreements with main financing banks so as to procure temporary working capital efficiently in time of insufficiency. Regarding the capital relating to capital formation such as business investments, we basically procure our own capital and long-term borrowings from financial institutions in view of financing cost and risk diversification. Additionally, for the purpose of efficient fund management, reducing of financial risk and saving of interest expenses, our Group started "Group Finance".

2) Objective Indicators etc. for Judgement on the Status of Achievement of Management Policy, Management Strategies and Managerial goals

Our Group's managerial and financial goals are described in II. Status of Business 1. Management Policy, Management Environment and Tasks to be Addressed.

iii) Significant Accounting Estimates and Assumptions Used in Making Such Estimates

The consolidated financial statements of our Group are made based upon the corporate accounting standards which are generally accepted in Japan. In preparing this consolidated financial statements, the management are required to estimate for accounting. With respect to such estimates, the management comprehensively considers and reasonably judges past results, present circumstances, etc.; nevertheless, actual results may become different from the said estimates due to uncertainty peculiar to estimating.

The critical accounting policies adopted for the preparation of financial statements are described in "Important Matters Underlying Preparation of Consolidated Financial Statements" of "V. Status of Accounting: 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements Notes", among which the following critical accounting policies are considered to have a profound effect on the important judging and estimating in course of preparing consolidated financial statements.

1) Allowance for doubtful accounts

In our Group, as a reserve for potential loan losses, an estimated uncollectible amount is recorded based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectability in each instance in the case of some specific accounts receivable, e.g. doubtful receivables. When a financial condition

of customers gets worse and their solvency declines, an additional allowance may need recording.

2) Assessment of recoverability of deferred tax assets

When applying tax effect accounting, our Group reasonably estimates recoverability of deferred tax assets and records such assets after deduction of valuation allowance. Recoverability of deferred tax assets depends on the possibility of future untaxable depreciation of taxable items and on the future taxable income estimated on the basis of future profitability; therefore, if such estimated amount vary, a profit may fluctuate due to reversal or additional recording of the deferred tax assets.

3) Impairment of securities and investment securities

Our Group holds securities and investment securities; we use, as valuation methods, the market method on securities with market value and use the cost method on securities without market value. We conduct treatments for impairment on our owned securities according to reasonable standards, because we bear the risk of price fluctuation in the stock market (if such securities have market value) and investees' business results etc. may worsen (if such securities have no market value).

Our Group has conducted necessary treatments for impairment on securities and investment securities. Additionally, if any loss which is not reflected on the current book value occurs or any book value becomes uncollectible due to deteriorating market conditions, worsening business results of investees, etc. in the future, further treatments for impairment may be required according to the said standards.

4) Impairment of non-current assets

Our Group applies Accounting Standard for Impairment of Fixed Assets, and is grouping non-current assets on the basis of business unit which generates cash flow independently. When the recoverable amount of an asset group falls below book amount, such different amount is perceived as an impairment loss. When the recoverable amount of an asset group further goes down in the future, further recording of an impairment loss may be required.

This application shows an impairment loss of 69,684 thousand yen as extraordinary losses in manufacturing facilities of the submitting company in the current consolidated fiscal year.

5) Valuation of inventories

Our Group reduces the book value of inventories when their net selling price falls below its book value. In addition, when inventories are recognized to be slow-moving more than a certain period of time, we assume that their realizability of sales is declining and promptly amortize them with a book value reduction method on a regular basis, depending on the elapse of the time. Furthermore, we individually reduce their book value when sales are recognized to be difficult. The net selling price may have a serious impact on loss on valuation of inventories depending on future changes of market environment and differences in sales forecasts because it is evaluated based on sales results, etc.

4. Agreements with Managerial Implications, etc.

No applicable matter.

5. Research and Development Activities

Major research and development activities of our Group are conducted by the Submitting Company as well as ThinFlex Corporation, Satosen Co., Ltd. Protec Arisawa Europe, S.A., Protec Arisawa America, Inc. and ColorLink Japan, Ltd., consolidated subsidiaries of the Submitting Company, and these companies are also disseminating technologies to other consolidated subsidiaries.

As a technology-oriented corporate group, we adopt a flexible organization as a basis for our research and development activities in order to match the increasingly diversified and sophisticated needs of the users. Centering on our core business fields, i.e. the electronic materials field, the industrial structural materials field, the electrical insulating material field and the display materials field, we vigorously pursue research and development of new technologies and new products, aiming at launching new products to the market, nurturing of next generation products, forward-looking promotion of technologies and expansion of fundamental technologies.

Examples of electronic materials include glass cloth for printed circuit boards, prepregs for special printed circuit boards and materials for FPCs (flexible printed circuit boards), etc. Examples of industrial structural materials include in-car materials, materials for use in water treatment equipment, materials for aircraft interiors. Examples of electrical insulating materials include prepregs for use in electrical insulating and various molded products, etc. Examples of display materials include 3D-filters, optical molded products, etc.

As of the end of the current consolidated fiscal year, we had 162 employees involved in research and development activities, and our total research and development expenses incurred in the current consolidated fiscal year amounted to 1,905 million yen.

Research and development achievements and the amount of research and development expenses incurred with respect to each field during the current consolidated fiscal year were as follows.

(1) Electronic Materials Field

- Materials for flexible printed circuit boards

Further sophistication of electronic devices typified by smartphones is under way as density of electronic circuits is increasing due to their multi-layering. Multi-layer boards have laminate structure such as circuit boards/adhesive sheets/circuit boards, achieving densification by connecting an upper board and a lower board. In the past, unification by long-term press-molding was common to laminate circuit boards and adhesive sheets. In recent years, FPC manufacturers have been drastically reducing press-molding time to increase productivity. In order to respond to this, we have developed adhesive sheets that have a good embedding property even with short pressing time and exhibit better insulation reliability by means of our original technology for resin composition. They have already obtained customer certification and their sales have been launched. It is expected that their adoption by various companies will increase in the future.

- In-car electronic materials

Further adoption of materials for flexible printed circuit boards is under consideration for the purpose of weight reduction and downsizing of electronic materials in automobiles that are being electrified. In-car flexible printed circuit boards require heat resistance materials whose characteristic value does not decline even if it is exposed to high temperatures for a long time. In the past, it was difficult to ensure compatibility between flexibility and heat resistance with coverlays used to protect circuits, but we have developed coverlays that make those characteristics compatible by means of our original design for resin composition, and their evaluations are underway at various companies. We are now working on new development to further improve heat resisting temperature.

As IC (integrated circuit) power modules to be installed become more miniaturized and energy saving, high heat dissipating adhesive sheets are necessary to dissipate the heat generated by IC effectively. We have a line-up of various adhesive sheets whose heat dissipation property is from 1 to 10W/mK, and their adoption is expanding. We are now working to develop materials from 15 to 20W/mK for a better heat dissipation property.

Research and development expenses incurred with respect to electronic materials amounted to 1,152 million yen.

(2) Industrial Application Structural Materials Field and Electrical Insulating Materials Field

- In-car Materials

Materials for fuel cell using our original thin film coating technology was adopted by a domestic automobile manufacturer and their mass productions began last year. With this adoption, we have received new requests from many users to use this thin film technology.

Furthermore, as recent automobiles are converting to EV and FC vehicles, a growing demand for lightweighting of automobiles has led to a growing demand for our fiber plastic materials to substitute for metals. Each user is taking advantage of our weaving and resin development technology and evaluating our products in various parts.

We will focus on these fields hereafter and continue to develop differentiated materials.

- Water treatment FRP pressure vessels

Our FRP pressure vessels have been used widely for water treatment such as seawater desalination. In recent years, as efforts for non-draining advanced to reduce environmental loading, demand for high pressure vessels grew. We successfully developed high pressure vessels with our consolidated subsidiaries, Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc., and have complied with ASME new standards. We will work on developing products to contribute to water resources and environmental loading reduction.

- Ultra-High-Heat-Resistant Carbon Fiber Plastic Materials

In recent years, development of spacecrafts used for space exploration of planets such as Mars and manned lunar exploration has escalated and private companies have been launching rockets. We have started developing an ultra-high-heat-resistant type of carbon fiber prepregs with our resin blending by applying the technology of carbon fiber prepregs developed for aircraft materials with excellent flame retardance and heat resistance and blending our own resin, and it is expected to be adopted as space-related materials. We will try to develop even more differentiated materials in the future.

Research and development expenses incurred with respect to composite materials amounted to 512 million yen.

(3) Display Materials Field

- 3D display materials

The 3D display systems incorporating the Company's "Xpol®" have been adopted in the medical field because of their high reliability and excellent stereoscopic imaging properties. In recent years, they have been increasingly adopted for use in microscopic surgery using 4K resolution displays in addition to endoscopic surgery. We will work on developing new products with consideration for further resolution improvement and expanding use to remote medical care and remote construction under a high-speed communication environment in the future. Research and development expenses incurred with respect to display materials amounted to 229 million yen.

III. Status of Facilities

1. Outline of Capital Investment

Our Group concentrates its capital investment in the expansive and growing fields in order to keep pace with the rapid technological innovation and the tough sales competition and made capital expenditures totalling 2,144 million yen in the current consolidated fiscal year.

The principal component of our capital investment in the current consolidated fiscal year was 1,411 million yen for production equipment related to electronic materials centering on materials for flexible printed circuit boards.

In this regard, no retirement or sale, etc. of facilities or equipment that may significantly affect our Group's production capacity was conducted in the current consolidated fiscal year.

2. Status of Major Facilities

(1) Submitting Company

As of March 31, 2021

Name of business place (Location)	Segment name	Nature of facilities	Book value					Number of employees	
			Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)		Total (Thousands of yen)
Minami-honcho Factory (Joetsu-shi, Niigata)	Electronic materials, Industrial application structural materials, Electrical insulating materials,	Electronic materials manufacturing facilities, Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities,	422,739	41,434	55,095 (18,204)	31,017	11,983	562,268	79 (9)
Nakadahara Factory (Joetsu-shi, Niigata)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials	Electronic materials manufacturing facilities, Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities, Display materials manufacturing facilities	2,266,792	1,108,590	292,131 (114,641)	142,441	77,584	3,887,539	394 (75)
Nakadahara-Nishi Factory (Joetsu-shi, Niigata)	Industrial application structural materials, Display materials	Industrial application structural materials, Display materials manufacturing facilities	225,847	776,393	362,485 (34,515)	21,430	12,362	1,398,520	59 (1)
Head Office (Joetsu-shi, Niigata)	Head office (Common)	Other facilities	621,546	4,183	103,395 (29,170)	—	64,738	793,864	34 (13)
Tokyo Branch Office (Taito-ku, Tokyo)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials, Other, Head office (Common)	Other facilities	140,648	2,205	298,820 (577)	2,322	22,512	466,509	37 (1)

(2) Domestic Subsidiaries

As of March 31, 2021

Company name	Name of business place (Location)	Segment name	Nature of facilities	Book value						Number of employees
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
Satosan Co., Ltd.	--- (Osaka-shi, Osaka)	Electronic materials,	Electronic materials manufacturing	143,569	37,426	291,900 (4,373)	—	1,451	474,347	86 (83)
Arisawa Fiber Glass Co., Ltd.	--- (Joetsu-shi, Niigata)	Electronic materials, Electrical insulating materials	Electronic materials manufacturing facilities, Electrical insulating materials manufacturing facilities	307,616	318,158	117,361 (34,760)	51,870	9,266	804,272	88 (31)
Arisawa Sogyo Co., Ltd.	--- (Joetsu-shi, Niigata)	Industrial application structural materials, Electrical insulating materials, Other	Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities	282,944	35,331	262,448 (49,319)	—	10,219	590,943	104 (32)
Arisawa Jushi Kogyo Co., Ltd.	--- (Kawaguchi-shi, Saitama)	Electrical insulating materials	Electrical insulating materials manufacturing facilities	52,780	51,339	31,561 (2,407)	—	6,348	142,030	16 (1)
ColorLink Japan, Ltd.	--- (Joetsu-shi, Niigata)	Display materials	Display materials manufacturing facilities	84,328	0	43,158 (4,109)	—	23,686	151,173	70 (13)

(3) Overseas Subsidiaries

As of March 31, 2021

Company name	Name of business place (Location)	Segment name	Nature of facilities	Book value						Number of employees
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
ThinFlex Corporation	--- (Kaohsiung County, Taiwan)	Electronic materials	Electronic materials manufacturing facilities	1,281,131	1,181,854	-	426,440 (See Note 4)	301,769	3,191,195	223 (—)
TopFlex Corporation	--- (Kunshan City, P.R. China)	Electronic materials	Electronic materials manufacturing facilities	224,373	116,992	-	40,708 (See Note 4)	14,311	396,385	135 (—)
Protec Arisawa Europe, S.A.	--- (Munguia, Spain)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	81,870	161,359	30,213 (8,891)	-	8,289	281,732	70 (30)
Protec Arisawa America, Inc.	--- (Vista, CA, U.S.A.)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	9,214	37,266	-	-	30,131	76,612	38 (1)

Note: 1. Among the columns under “Book value”, “Other” indicates the total of tools, furniture and fixtures and construction in progress. The amounts stated above do not include consumption tax, etc.

2. Major facilities leased out by the Submitting Company to its domestic subsidiaries are included in the facilities of the pertinent subsidiaries respectively.
3. Facilities and employees in Kansai office are included in Satosen Co., Ltd.
4. The land-use rights, 319,336 thousand yen (39,265m²) and 40,708 thousand yen (30,136m²), are included in the lease assets of ThinFlex Corporation and TopFlex Corporation.
5. The parenthesized figures in the column “Number of employees” indicate the number of temporary employees not included in the pertinent total.

3. Plans for Installation and Retirement, etc. of Facilities

(1) Installation, etc. of Material Facilities

Name of business place or company	Location	Segment name	Nature of facilities	Investment amount		Source of funds	Scheduled start and completion months		Capacity increase upon completion
				Total amount to be invested (Thousands of yen)	Amount hitherto disbursed (Thousands of yen)		Start	Completion	
TopFlex Corporation	Kunshan City, P.R. China	Electronic materials	Electronic materials manufacturing facilities	517,646	—	Own funds	May2021	April2022	—
Arisawa Mfg. Co., Ltd.	Joetsu -shi, Niigata	Electronic materials	Electronic materials manufacturing facilities	186,000	—	Own funds	May2021	December2021	—

- Note: 1. The amounts stated above do not include consumption tax, etc.
2. No amount or value is shown in the column “Capacity increase upon completion” as it is difficult to reasonably determine any pertinent amount or value.

(2) Retirement, etc. of Material Facilities

There is no plan for retirement, etc. of material facilities.

IV. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common stock	130,000,000
Total	130,000,000

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the business year (As of March 31, 2021)	Number of shares issued and outstanding as of the filing date of the Financial Report (As of June 28, 2021)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	34,470,524	34,475,824	Tokyo Stock Exchange (First Section)	Number of shares constituting one full unit: 100
Total	34,470,524	34,475,824	---	---

Note: The number of shares issued through the exercise of stock acquisition rights in the period from June 1, 2021 to the filing date of this Financial Report is not included in the column "Number of shares issued and outstanding as of the filing date of the Financial Report".

(2) Status of Stock Acquisition Rights, etc.

1) Details of Stock Option Scheme

Stock acquisition rights issued under the Companies Act were as follows.

Date of resolution	June 24, 2016	June 28, 2017
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 187 employees of the Company, and 14 directors and employees of subsidiaries of the Company	5 directors of the Company, 194 employees of the Company, and 10 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	698 [645]	3,011
Class, contents and number of shares subject to stock acquisition rights	Common stock 69,800 [64,500]	Common stock 301,100
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	536 (See Note 1)	1,004 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2018 through June 30, 2021	July 1, 2019 through June 30, 2022
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 634 Amount credited to equity capital 317	Issuance price 1,035 Amount credited to equity capital 518
Conditions for the exercise of stock acquisition rights ※2	(See Note 2)	
Matters concerning the transfer of stock acquisition rights	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)	

Date of resolution	June 28, 2018	June 27, 2019
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 211 employees of the Company, and 11 directors and employees of subsidiaries of the Company	4 directors of the Company, 208 employees of the Company, and 14 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,231	3,210
Class, contents and number of shares subject to stock acquisition rights	Common stock 323,100	Common stock 321,000
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	1,104 (See Note 1)	922 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2020 through June 30, 2023	July 1, 2021 through June 30, 2024
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,272 Amount credited to equity capital 636	Issuance price 1,090 Amount credited to equity capital 545
Conditions for the exercise of stock acquisition rights ※2	(See Note 2)	
Matters concerning the transfer of stock acquisition rights	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)	

Date of resolution	June 25, 2020
Category and number of persons to whom stock acquisition rights shall be granted	4 directors of the Company, 147 employees of the Company, and 13 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	3,253
Class, contents and number of shares subject to stock acquisition rights	Common stock 325,300
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	890 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2022 through June 30, 2025
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,061 Amount credited to equity capital 530.5
Conditions for the exercise of stock acquisition rights ※2	(See Note 2)
Matters concerning the transfer of stock acquisition rights	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)

※ The contents are described as of the end of the current business year (March 31, 2021). With respect to the items which changed during the period from the end of the current business year to the end of the month previous to the filing (May 31, 2021), the contents thereof are described in [] as of the end of the month previous to the filing. No other contents changed from the end of the current business year.

Note 1. If the Company conducts a stock split or a reverse stock split after the issuance of stock acquisition rights, the paid-in amount shall be adjusted in accordance with the following calculation formula, and any fraction less than 1 yen arising from such adjustment shall be rounded up to the nearest integer value.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{1}{\text{Ratio of stock split and reverse stock split}}$$

If the Company issues new shares (except in the case of the issuance of new shares through the exercise of stock options) or disposes of shares of treasury stock at a price less than the current market price of the Company's common stock, the paid-in amount shall be adjusted in accordance with the following calculation formula, and any fraction less than 1 yen arising from such adjustment shall be rounded up to the nearest integer value.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{\text{Number of shares issued \& outstanding} + \frac{\text{Number of new shares being issued} \times \text{Paid-in amount per share}}{\text{Current market price per share}}}{\text{Number of shares issued \& outstanding} + \text{Number of new shares being issued}}$$

If the Company disposes of shares of treasury stock, the "Number of new shares being issued" shall instead be read as the "Number of shares of treasury stock being disposed of".

2. Being a director, an advisor or an employee of the Company or a director, an advisor or an employee of a subsidiary of the Company at the time of exercising the rights. But as for the resolution of June 25, 2020, being a director or an employee of the Company or a director or an employee of a subsidiary of the Company
3. In the event that a merger agreement in which the Company becomes a defunct company has been approved, or that a proposal for approval of a stock swap agreement (or for a transfer of shares) in which the Company becomes a wholly owned subsidiary has been approved at a general meeting of shareholders, except where the surviving company or the Company's wholly owning parent company succeeds to the obligation to grant stock acquisition rights, the Company shall be able to acquire the stock acquisition rights without consideration.

2) Details of Rights Plan
No applicable matter.

3) Status of Other stock acquisition right

No applicable matter.

(3) Status of Exercise of Moving Strike Convertible Bonds, etc.

No applicable matter.

(4) Changes in the Number of Shares Issued and Outstanding, Capital Stock, etc.

Period	Number of shares issued and outstanding		Capital stock (Thousands of yen)		Legal capital surplus (Thousands of yen)	
	Change	Balance	Change	Balance	Change	Balance
From April 1, 2016 to March 31, 2017 (See Note)	68,500	35,679,624	22,672	7,317,019	22,672	6,429,038
From April 1, 2017 to March 31, 2018 (See Note)	344,500	36,024,124	141,222	7,458,242	141,170	6,570,209
From April 1, 2018 to March 31, 2019 (See Note)	202,100	36,226,224	83,450	7,541,693	83,406	6,653,615
From April 1, 2019 to March 31, 2020 (See Note)	155,300	36,381,524	52,333	7,594,026	52,402	6,706,017
From April 1, 2020 to November 30, 2020 (See Note)	24,900	36,406,424	8,595	7,602,621	8,595	6,714,612
November 30, 2020 (See Note 2)	△2,000,000	34,406,424	—	7,602,621	—	6,714,612
From December 1, 2020 to March 31, 2021 (See Note)	64,100	34,470,524	21,017	7,623,638	21,017	6,735,630

Note 1. The increases are due to the exercise of stock acquisition rights.

2. This is due to the retirement of treasury stock..3. In the period from April 1, 2021 to May 31, 2021, the number of shares issued and outstanding increased by 5,300 shares, and the amount of capital stock and that of legal capital surplus increased by 1,680 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Shareholder Categories

As of March 31, 2021

Category	Status of Shares (Number of shares constituting one full unit: 100)								Status of shares constituting less than one full unit
	Governments and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	27	32	90	94	12	7,997	8,252	—
Number of shares held (Units except as otherwise noted)	—	119,628	9,888	35,954	67,142	104	111,272	343,988	71,724
Ratio of the number of shares held (%)	—	34.78	2.87	10.45	19.52	0.03	32.35	100.00	—

- Note:
1. Out of 1,136,189 shares of treasury stock, 11,361 units are included in the column “Individuals and others”, and 89 shares are included in the column “Status of shares constituting less than one full unit”.
 2. In the columns “Other corporations” and “Status of shares constituting less than one full unit”, shares held in the name of Japan Securities Depository Center, Inc. are included by 5 units and 19 shares, respectively.

(6) Status of Major Shareholders

As of March 31, 2021

Full name or corporate name	Address	Number of shares held	Ratio of the number of shares held to the number of shares issued and outstanding (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	4,342,200	13.02
INTERTRUST TRUSTEES(CAYMAN)LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	190 ELGIN AVENUE, GERGE TOWN, GRAND CAYMAN KY1-9005, CAYMAN ISLANDS (15-1, Konan 2-chome, Minato-ku, Tokyo)	2,433,600	7.30
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,511,400	4.53
Mitsubishi Gas Chemical Company, Inc. (See Note 3)	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.41
The Hachijuni Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	178-8, Nakagosho Okada, Nagano-shi, Nagano (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	1,000,930	3.00
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.50
Daishi Hokuetsu Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1071-1, Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	743,903	2.23
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Citibank, N.A., Tokyo Branch)	Palisades West 6300, Bee Cave Road, Building One, Austin, TX 78746, U.S.A. (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	620,282	1.86
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Electric Corporation account)	11-3, Hamamatsu-cho 2-chome, Minato--ku, Tokyo	530,536	1.59
THE BANK OF NEW YORK MELLON 140044 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	519,600	1.55
Total	---	14,008,955	42.02

Note: 1. The ratio of the number of shares held to the total number of shares issued (except for treasury stock) is displayed with the numbers truncating the numbers beyond the third decimal point.

2. Apart from the above, there is the treasury stock of 1,136,189 shares that the Company holds.

3. The number of shares held by Mitsubishi Gas Chemical Company, Inc. includes 966,306 shares that have been contributed by Mitsubishi Gas Chemical Company, Inc. as the trust property of retirement benefit trust. The pertinent name in the Company's register of shareholders is "The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Gas Chemical Company, Inc. account)."

4. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of September 6, 2018 that Sumitomo Mitsui Trust Bank, Limited and a joint holder thereof hold the shares described below as of August 31, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Trust Bank, Limited and two joint holder thereof
Address : 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,488,200
Holding ratio of share certificates etc. : 4.12

5. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of December 20, 2018 that BlackRock Japan Company, Limited and a joint holder thereof hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : BlackRock Japan Company, Limited and one joint holder thereof
Address : 1-8-3, Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,259,700
Holding ratio of share certificates etc. : 3.48

6. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of December 21, 2018 that Sumitomo Mitsui Asset Management Company, Limited hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Asset Management Company, Limited and one joint holder thereof
Address : 2-5-1 Atago, Minato-ku, Tokyo
Number of shareholdings etc. : 1,090,300
Holding ratio of share certificates etc. : 3.01

7. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of October 2, 2020 that Nippon Value Investors KK hold the shares described below as of September 30, 2020, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Nippon Value Investors KK
Address : 1-8-1 Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,421,500
Holding ratio of share certificates etc. : 3.91

8. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of March 4, 2021 that Strategic Capital, Inc. hold the shares described below as of March 1, 2021, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2021. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Strategic Capital, Inc.
Address : 3-14-15, Higashi, Shibuya-ku, Tokyo
Number of shareholdings etc. : 2,902,100
Holding ratio of share certificates etc. : 8.43

(7) Status of Voting Rights

1) Shares issued and outstanding

As of March 31, 2021

Category	Number of shares	Number of voting rights (Units)	Remarks
Shares without voting rights	---	---	---
Shares with restricted voting rights (Treasury stock, etc.)	---	---	---
Shares with restricted voting rights (Other)	---	---	---
Shares with full voting rights (Treasury stock, etc.)	Common stock 1,136,100	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,262,700	332,627	---
Shares constituting less than one full unit (See Note 2)	Common stock 71,724	---	---
Number of shares issued and outstanding	34,470,524	---	---
Total number of voting rights held by shareholders	---	332,627	---

Note: 1. 500 shares held in the name of Japan Securities Depository Center, Inc. are included in the row "Shares with full voting rights (Other)". 5 units of voting rights pertaining to shares with full voting rights held in the name of Japan Securities Depository Center, Inc. are included in the column "Number of voting rights".

2. 89 shares of treasury stock are included in the row "Shares constituting less than one full unit".

2) Treasury Stock, etc.

As of March 31, 2021

Name and address of shareholder		Number of shares held			Ratio of the number of shares held to the number of shares issued and outstanding (%)
Full name or corporate name	Address	Under own name	Under the names of others	Total	
Arisawa Mfg. Co., Ltd.	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata	1,136,100	---	1,136,100	3.29
Total	---	1,136,100	---	1,136,100	3.29

(8) Director and Employee Stock Ownership Plan

(Remuneration plan for granting restricted stock to Directors)

1) Outline of the system

At the Board of Directors' Meeting held on May 27, 2021, the Company revised the remuneration system for the Company's Directors except Outside Directors (hereinafter referred to as "eligible Directors"), passed a resolution to introduce the restricted stock compensation system (hereinafter referred to as "this system"), which was approved and passed at the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021. This system is to be newly introduced with the aim to provide incentive to eligible Directors to sustainably increase corporate value of the Company and promote further sharing of value with its shareholders.

2) Total number of restricted stock, etc. issued or disposed of to eligible Directors

Given the above purpose, the aggregate amount of remuneration provided to eligible Directors to grant restricted stock shall be no more than 50 million per year as an amount considered to be reasonable. The total number of common shares that the Company issues or disposes of shall be no more than 50,000 shares per year (however, if a share split (including gratis allotment of the Company's common shares) or share consolidation of the Company's common shares is performed effective on any date after the date of a resolution at the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021, the total number shall be adjusted within a reasonable range as necessary depending on a ratio of split and consolidation after such effective date).

Eligible Directors shall pay all monetary claims provided from the Company based on this system as contributed properties in kind and receive issuance or disposal of the Company's common shares.

The payment amount per share shall be determined by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding to the day of each resolution of the Board of Directors (if no transaction is made on that day, the closing price on the trading day immediately before that day) within the scope that is not particularly favorable to an eligible Director who receives the common shares. The specific timing of provision and allocation to each eligible Director shall be determined by the Board of Directors following consultations with the Assignment and Remuneration Advisory Committee.

3) Scope of persons eligible for beneficiary and other rights in this system
Directors of the Company (excluding Outside Directors)

2. Status of Acquisition of Treasury Stock, etc.

[Classes of Stock, etc.]

Acquisition of common stock under the provisions of Article 155, item 7 of the Companies Act.

(1) Status of Acquisition by Resolution of a General Meeting of Shareholders

No applicable matter.

(2) Status of Acquisition by Resolution of the Board of Directors

No applicable matter.

(3) Details of Acquisition not Authorized by Resolution of a General Meeting of Shareholders or Resolution of the Board of Directors

Acquisition under the provisions of Article 155, item 7 of the Companies Act

Category	Number of shares	Total amount (Yen)
Treasury stock acquired during the current business year	359	334,461
Treasury stock acquired during the current period	8	7,864

Note: The row "Treasury stock acquired during the current period" does not include the shares acquired through the purchase of shares constituting less than one full unit in the period from June 1, 2021 to the filing date of this Financial Report.

(4) Status of Disposal and Holding of Acquired Treasury Stock

Category	Current Business Year		Current Period	
	Number of shares	Total disposal amount (Yen)	Number of shares	Total disposal amount (Yen)
Acquired treasury stock offered for subscription	---	---	---	---
Acquired treasury stock disposed of through retirement	2,000,000	2,045,767,542	---	---
Acquired treasury stock transferred in relation to merger, share exchange and company split	---	---	---	---
Other	---	---	---	---
Number of shares of treasury stock held	1,136,189	---	1,136,197	---

Note: The "Number of shares of treasury stock held" in the "Current Period" does not include the shares acquired through the purchase of shares constituting less than one full unit in the period from June 1, 2021 to the filing date of this Financial Report.

3. Dividend Policy

The Company positions the distribution of profits to its shareholders as a priority management objective. We will invest for the maintenance and expansion of profitability base of existing business as well as for a strategic investment in new business, and also implement a stable and positive distribution, specifically a two-story of 20 yen of fixed dividend per share and performance-linked dividend. As for an acquisition of treasury stock, we will respond flexibly in total consideration of business environment, financial conditions, etc. and aim at a total return ratio of 60% or more.

With respect to the frequency of dividend payments, the Company specifies in its articles of incorporation that the Company can effect interim dividend payments. Currently, however, in view of the tendency for the net sales, etc. for the first half of fiscal year to be higher than those for the second half in the ratio to the annual result, the Company pays a year-end dividend once a year in order to ensure equitable distribution of dividends in light of business results.

Decisions with respect to dividends from surplus are made at a general meeting of shareholders for the year-end dividend and by the Board of Directors for the interim dividend.

As for the annual dividend for the current business year, the Company decided to pay 39 yen per share based on the said policy. As a result, the dividend payout ratio for the current consolidated fiscal year was 60.1%.

The Company plans to appropriate its internal reserves to research and development activities and capital investment for business expansion, etc., aiming at enhancement of the shareholder value in future years.

The distribution of dividends from surplus for the current business year is as follows.

Date of resolution	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)
Resolution at the Ordinary General Meeting of Shareholders of June 25, 2021	1,300,039	39.00

4. Status of Corporate Governance, etc.

(1) Outline of Corporate Governance

1) Basic Concept of Corporate Governance

The Company has a corporate governance system in place to increase corporate value through sustainable growth and to maintain social credibility and is also making efforts to secure efficient and equitable management and to enhance management transparency through proactive disclosure.

In terms of management efficiency, to ensure collection of highly accurate information and expeditious decision making and executions, we aim at management by a selected few and restrict the number of Directors to the requisite minimum. In this context, we employ the Operating Officer system to ensure speedy execution of operations under the decisions of the Board of Directors, where the Outside Directors and Outside Corporate Auditors also attend.

In terms of equitable management, in line with the basic policy concerning improvement of the internal control system, we improve organizations and systems for the purpose of ensuring legal compliance. In order to enhance transparency, we promote communication with our shareholders and general investors through IR activities, etc. and conduct disclosure practices in as active and timely a manner as possible.

2) Outline of Corporate Governance System

As for execution of operations, to ensure speedy execution and control of the management policy and management plans determined at the regular or extraordinary meetings of the Board of Directors, an eleven (11)-member Board of Operating Officers (comprising one (1) Chief Executive Officer and ten (10) Operating Officers) is in place in pursuit of management efficiency and speed.

Each Operating Officer plans and promotes operations under his or her supervision upon approval at the regular or extraordinary meetings of the Board of Directors as well as the regular meeting of the Board of Operating Officers and strives for efficient and speedy execution of duties pursuant to the Regulations for the Segregation of Duties, etc.

3) Reasons for Adopting Corporate Governance System

As a company employing the Board of Corporate Auditors system, we hold the meeting of the Board of Corporate Auditors regular pursuant to the Regulations for the Board of Corporate Auditors. The Corporate Auditors attend meetings of the Board of Directors, and the Full-time Corporate Auditor attends meetings of the Board of Operating Officers, etc. The Corporate Auditors also offer appropriate proposals and advice as to execution of Directors' duties and the status of improvement and operation of the internal control system, etc., thereby exercising strict oversight over the management.

We also appoint, in order to exercise external oversight, two (2) Outside Corporate Auditors and five (5) Outside Directors, each of whom bears a part in management oversight in terms of laws and regulations, finance, accounting and corporate governance respectively from a neutral and objective viewpoint, contributing to what we believe is a fully functioning corporate governance system.

4) Status of Improvement of Internal Control System and Risk Management System

The Company adopted, by resolution of the Board of Directors, the "Systems to Ensure Proper Operations" as shown below.

a. System to ensure that execution by Directors and employees of the Company and its subsidiaries of their respective duties complies with the applicable laws and regulations and the Articles of Incorporation

The Company and its subsidiaries shall lay down the "Arisawa Group Corporate Action Guidelines" applicable throughout the Group, set specific internal regulations in line with the said guidelines, and then observe the said internal regulations, thereby establishing a system which ensures that execution by Directors and employees of their respective duties complies with the applicable laws and regulations and the Articles of Incorporation.

b. System concerning storage and management of information on execution of duties of Directors of the Company

As for the storage and management of information on execution of duties of Directors, internal regulations for document management shall be set in line with the provisions of the applicable laws and regulations and the Articles of Incorporation to construct a system which ensures proper storage and management of the relevant information.

- c. System concerning reporting to the Company of the matters relating to execution of duties of Directors, etc. of subsidiaries of the Company

Supervision over execution of duties of Directors, etc. of subsidiaries of the Company shall be exercised through having Directors of the Company concurrently serve as Directors of subsidiaries of the Company. Also, internal regulations for management of associated companies shall be set, establishing a system which makes it mandatory for subsidiaries of the Company to submit their respective board minutes to the Company and also to report the relevant material facts to the Company, both along the lines of the provisions of the said regulations.

- d. Regulations and other systems concerning management of risk of loss for the Company and its subsidiaries

In order to comprehend and manage various risks surrounding the Group and its operations, internal regulations managing and coping with each risk category shall be set. Observing the said regulations establishes a system that helps reduce and mitigate business risks.

- e. System to ensure efficient execution of duties of Directors of the Company and its subsidiaries

The Group shall improve internal regulations governing the segregation of duties and the scope of job authorities to definitize each department's duty assignment and job authorities and shall also introduce a common accounting management system for the entire Group, etc., thereby establishing a system which ensures efficient execution of duties of Directors of the Company and its subsidiaries.

- f. Matters concerning employees assigned, upon request of Corporate Auditors of the Company, to assist with duties of Corporate Auditors of the Company, the matters concerning independence of such employees from Directors of the Company and the system to ensure effectiveness of instructions from Corporate Auditors of the Company to such employees

Employees to assist with duties of a Corporate Auditor shall be appointed upon request of the Corporate Auditor and in view of the expertise and experience, etc. required for the audit work. The employees so appointed as assistant shall execute the relevant duties under the direction of the Corporate Auditor and also be free from the dictates of any Director of the Company so as to ensure the independence of such employees from Directors and the effectiveness of instructions from the Corporate Auditor to such employees.

- g. System to mandate reporting to Corporate Auditors of the Company by Directors and employees, etc. of the Company as well as Directors, Corporate Auditors and employees, etc. of subsidiaries of the Company and the system to ensure prevention of unfavorable treatment of those who have made such reporting on account of the pertinent report having been made

Internal regulations stipulating the matters to be reported by Directors and employees, etc. of the Company to Corporate Auditors shall be set so as to establish a system which mandates immediate reporting to Corporate Auditors of all material facts with implications on the Group's management and business results. Also, the internal hotline system prohibiting unfavorable treatment of the whistle-blower shall be maintained so that Corporate Auditors can directly receive the relevant reports from employees, etc.

- h. Matters concerning policies on the processing of costs incurred from execution of duties of Corporate Auditors of the Company

Promptly upon receipt of a request, made by a Corporate Auditor under the provisions of Article 388 of the Companies Act, for an advance payment, etc. of expenses to be incurred from execution of his or her duties, the Company shall settle the pertinent expenses or liabilities. Also, if a Corporate Auditor deems consultations, etc. with lawyers, chartered accountants and other specialists to be necessary for execution of his or her duties, the Company shall allow the amount disbursed for enlisting such consultations, etc. as part of the necessary audit-related expenses.

- i. Other systems to ensure execution of effective audits by Corporate Auditors of the Company

Corporate Auditors of the Company shall collect periodic reports from Directors of subsidiaries of the Company, collect reports from Corporate Auditors of subsidiaries of the Company and also engage in other coordinated actions, as needed, so as to execute proper audits of the Group.

j. System to ensure credibility of financial reporting

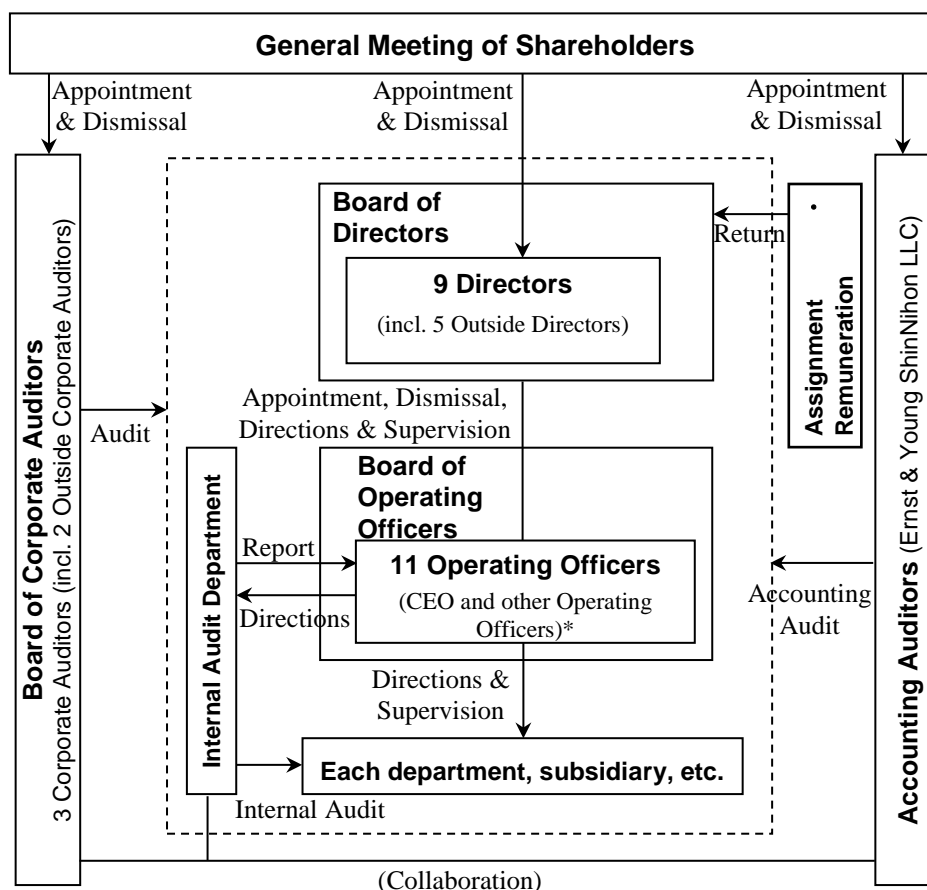
To ensure credibility of financial reporting, the Group shall make continuous evaluation of the status of improvement and operation of the internal control system for financial reporting and also remedy any defect or flaw found in such system, thereby maintaining a system which allows the Group’s internal control to function effectively and properly.

k. System to exclude anti-social forces

The Company and its subsidiaries shall expressly state in the “Arisawa Group Corporate Action Guidelines” a policy to prevent and preclude any relationship with anti-social forces that pose a threat to the order and safety of civil society. The Group shall also adopt and maintain a resolute attitude toward anti-social forces in cooperation with law enforcement and other external specialized agencies.

The Group sets forth the guidelines and code of conduct in the Compliance Manual that we shall be resolute in its stance against and sever any relations with anti-social forces which pose a threat to civil society and disturb economic activities in accordance with the provision of the system to secure proper operation as well as precludes anti-social forces by preparing an internal reporting system and strengthening its internal audit system to prevent violation of the provisions in accordance with the internal control system.

The Company’s corporate governance system is abstracted in the following diagram.



*Note: The Board of Operating Officers consists of a total of eleven (11) Operating Officers (including, but not limited to, the Chief Executive Officer), four (4) of which are concurrently assumed by the relevant Directors.

5) Maximum Number of Directors

The Company’s Articles of Incorporation stipulate that the number of Directors of the Company shall not be more than fifteen (15).

6) Requirements for Appointment of Directors

The Company’s Articles of Incorporation stipulate that a resolution on appointing Directors shall be adopted by a majority vote of the voting rights of the shareholders who are present and also hold at least one-

third (1/3) of all voting rights of the shareholders entitled to exercise voting rights.

It is also stipulated in the said Articles of Incorporation that no cumulative voting shall be allowed for a resolution on appointing Directors.

7) Summary of the Terms of Contracts for Limitation of Liability

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 427, paragraph 1 of the Companies Act, enter into contracts for limitation of liability with its Outside Directors and Outside Corporate Auditors so that the Company can recruit competent persons as Outside Directors and Outside Corporate Auditors and also that the recruited Outside Directors and Outside Corporate Auditors can soundly fulfill their expected roles. The main purport of such contracts for limitation of liability (entered into between the Company and the Outside Directors as well as Outside Corporate Auditors under the said stipulation) is as follows.

The Outside Directors and Outside Corporate Auditors shall, with respect to the liability for damages under Article 423, paragraph 1 of the Companies Act, assume such liability for damages to the extent of the statutory minimum liability amount as long as they perform their respective duties in good faith without being grossly negligent.

8) Summary of Contents of Directors and Officers Liability Insurance Policy

The Company has entered into directors and officers liability insurance policy with an insurance company as set forth in Article 430-3, paragraph (1) of the Companies Act, under which Directors and Auditors are all insureds, to prevent Directors, etc. from feeling intimidated in management decision by being excessively liable. Damage, etc. will be compensated when a Director is held liable due to its performance of duties, but claim for damage arising out of willful misconduct or gross negligence will not be covered by the insurance policy. In addition, the Company bears the full cost of the premiums.

9) Matters Typically Requiring a Resolution of a General Meeting of Shareholders which may be Resolved by the Board of Directors

The Company's Articles of Incorporation stipulate that the Company may resolve on the following matters by voting at a meeting of the Board of Directors instead of voting at a general meeting of shareholders.

a. Organ to determine acquisition of treasury stock

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 165, paragraph 2 of the Companies Act, acquire shares of treasury stock through market transactions, etc. upon a resolution of the Board of Directors instead of that of a general meeting of shareholders. This stipulation aims to enable an agile capital policy by authorizing the Board of Directors to resolve on the acquisition of the Company's treasury stock.

b. Organ to determine distribution of interim dividends from surplus

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 454, paragraph 5 of the Companies Act, distribute interim dividends with the record date of September 30 of every year upon a resolution of the Board of Directors instead of that of a general meeting of shareholders. This stipulation aims to expeditiously return profits to the Company's shareholders by authorizing the Board of Directors to resolve on the distribution of interim dividends from surplus.

10) Requirements for Special Resolutions of a General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that, with respect to the requirements for special resolutions of a general meeting of shareholders provided for in Article 309, paragraph 2 of the Companies Act, a special resolution shall be adopted by a two-thirds (2/3) majority vote of the voting rights of the shareholders who are present and also hold at least one-third (1/3) of all voting rights of the shareholders entitled to exercise voting rights. This stipulation aims to ensure smooth operation of general meetings of shareholders by relaxing the quorum requirement for special resolutions of a general meeting of shareholders.

11) Basic Policy for the Control of Kabushiki-Kaisha

a. Contents of the basic policy and the efforts toward the realization of the basic policy (including, but not limited to, effective utilization of the assets of the Company and formation of an appropriate corporate group)

The Company, ever since its initiation in 1909, has been working on technological innovations and product development to build up unique technologies that integrate the “weaving, coating and molding” elements of its expertise while consistently fulfilling users’ needs, thereby increasing its corporate value under favorable labor-management climate. The Company’s Board of Directors believes that the Company is obligated to adhere to such time-honored principle of nurturing technological accumulation and also to understand, foster and enhance the said corporate value in the long run.

In light of the above, our Group stands on a management policy centering on the motto “Creation, Innovation and Challenge,” as we aim to enhance profitability through creation of new business bases and new markets with the utmost emphasis on the pursuit of safety and quality.

- b. Efforts to prevent inappropriate persons from controlling the Company’s financial and business policymaking

The Company resolved at the Board of Directors’ Meeting of May 30, 2019 not to continue the protective measures to address largescale acquisitions of the Company’s shares (Takeover defensive measures) that would expire as of the end of the 71st Ordinary General Meeting of Shareholders held on June 27, 2019.

Since then, we carefully considered measures to increase the corporate value and the common interests of the shareholders including new ways against inappropriate acquisition, etc. that would impair the corporate value. From now on, as we make an effort to maximize the corporate value more than ever, we intend to oppose to purchases that would impair the corporate value by increasing the transparency of management decision process with the making of a medium-term management plan that sets forth the improvement of profitability capital efficiency.

- c. Amendment to the provisions of Articles of Incorporation with regard to the protective measures to address large-scale acquisitions of the Company’s shares (Takeover defensive measures)

The Company resolved at the 72nd Ordinary General Meeting of Shareholders held on June 25, 2020 to delete the Articles of Incorporation Chapter 7 Takeover Defense Measures (the Introduction of Takeover Defense Measures) Article 41 regarding takeover defense measures. Note that we will work on an adequate collection of information and its disclosure in a timely and appropriately manner to secure the Company’s corporate value and the common interests of the shareholders when a large-scale purchase of the Company’s shares is made.

(2) Status of Directors and Officers

1) Directors and Officers

(Number of female directors and officers: 1)

(Percentage of female directors and officers: 8.0%)

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
President and Representative Director CEO	Yuta Arisawa	July 25, 1969	<p>April 1992: Joined Mitsubishi Electric Corporation</p> <p>February 2002: Joined JPMorgan Securities Japan Co., Ltd.</p> <p>August 2003: Joined the Company</p> <p>April 2007: Assistant General Manager, Manufacturing Dept.</p> <p>April 2009: Operating Officer of the Company</p> <p>June 2010: Director and Senior Operating Officer of the Company</p> <p>June 2011: Director and Senior Managing Operating Officer of the Company</p> <p>June 2014: President, Representative Director of the Company</p> <p>June 2015: Chief Operating Officer (COO) of the Company</p> <p>June 2017: Chief Executive Officer (CEO) of the Company (Current)</p>	See Note 4	79,392
Director Division Chief, Electrical Performance Materials Business Div.	Yoshihiko Toda	January 24, 1958	<p>March 1981: Joined the Company</p> <p>July 1996: General Manager, Tokyo Branch Office</p> <p>June 2008: President and Representative Director of Arisawa Jushi Kogyo Co., Ltd. (Current)</p> <p>June 2008: Operating Officer of the Company</p> <p>June 2014: Director and Senior Operating Officer of the Company</p> <p>May 2017: President and Representative Director of Arisawa Fiber Glass Co., Ltd. (Current)</p> <p>June 2017: Director and Senior Managing Operating Officer of the Company (Current)</p>	See Note 4	52,421
Director Senior Operating Officer supervising Electronic Materials Sales Dept.; Division Chief, Electronic Materials Business Div.	Osamu Nakajima	June 5, 1965	<p>April 1989: Joined Mitsui & Co., Ltd.</p> <p>May 2011: Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.</p> <p>April 2013: Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.</p> <p>July 2014: Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui & Co., Ltd.</p> <p>October 2015: Joined the Company as Operating Officer</p> <p>June 2016: Director and Senior Operating Officer of the Company (Current)</p>	See Note 4	16,499
Director Senior Operating Officer supervising Manufacturing Dept. and Administration Dept.; Division Chief, in charge of Corporate Planning Dept.	Takeshi Masuda	April 3, 1963	<p>October 1990: Joined the Company</p> <p>November 2003: Group Leader, Administration Planning Group</p> <p>July 2008: Assistant General Manager, Manufacturing Dept.</p> <p>October 2010: General Manager, Corporate Planning Dept.</p> <p>June 2011: Operating Officer of the Company supervising Corporate Planning Dept.</p> <p>June 2015: Operating Officer</p> <p>June 2021: Director and Senior Operating Officer of the Company (Current)</p>	See Note 4	12,765
Director	Yutaka Tsukahara	December 21, 1945	<p>April 1968: Joined Fuji Heavy Industries Ltd. (currently Subaru Corporation)</p> <p>June 1999: Vice President and Senior General Manager, Japan Sales & Marketing Div. of Fuji Heavy Industries Ltd.</p> <p>June 2001: Senior Vice President and Chief General Manager, Japan Region, Subaru Sales & Marketing Div. of Fuji Heavy Industries Ltd.</p> <p>June 2003: Senior Vice President and Chief General Manager, Subaru Product & Portfolio Planning Div. of Fuji Heavy Industries Ltd.</p> <p>May 2005: President and Representative Director of Tokyo Subaru Inc.</p> <p>June 2017: Director of the Company (Current)</p>	See Note 4	3,000

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Director	Koji Nakamura	August 15, 1948	<p>April 1973 April 2004 April 2006 April 2009 March 2011 August 2011 August 2016 June 2020</p> <p>Joined Mitsui & Co., Ltd. Managing Officer; Chief Operating Officer of Synthetic Resins and Inorganic Chemicals Business Unit Executive Managing Officer; Chief Operating Officer of Chemicals Business Unit II Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit Retired as Senior Executive Managing Officer Audit & Supervisory Board Member, SANKO Co., Ltd. (current) Outside Director, Sanko Gosei Ltd. (current) Director of the Company (Current)</p>	See Note 4	---
Director	Kazuo Abiko	January 22, 1947	<p>November 1978 May 1985 July 2001 April 2004 July 2007 February 2010 July 2018 June 2020</p> <p>Joined Associated Press Deputy General Manager of Tokyo Studio President, Foreign Correspondents' Club of Japan General Manager of Tokyo Bureau, Associated Press General Manager for Northeast Asia Advisor Auditor, Foreign Correspondents' Club of Japan Director of the Company (Current)</p>	See Note 4	---
Director	Hirotooshi Takada	August 10 1953	<p>March 1977 April 2003 June 2005 June 2008 April 2011 April 2011 June 2011 March 2012 June 2013 March 2014 April 2014 June 2015 July 2015 July 2015 March 2016 June 2017 June 2021</p> <p>Joined NIPPON SEIKI CO., LTD. Director and President, UK-NSI Co., Ltd. Director, NIPPON SEIKI CO., LTD. Managing Director Representative Senior Managing Director General Manager, Sales Division Chairman, Wuhan Nissei Display System Co., Ltd. Chairman, Nissei Display Sales and Development Co., Ltd. President and Representative Director, NIPPON SEIKI CO., LTD. Chairman, Dongguan Nissei Electronics Co., Ltd. Chairman, Hong Kong Nippon Seiki Co., Ltd. President and Representative Director, Executive Officer, NIPPON SEIKI CO., LTD. Chairman, Hong Kong Ek Chor Nissei Co., Ltd. Chairman, Shanghai Nissei Display System Co., Ltd. Chairman and Director, Thai Nippon Seiki Co., Ltd. Vice Chairman and Director, Executive Officer, NIPPON SEIKI CO., LTD. Director of the Company (Current)</p>	See Note 4	---
Director	Miho Numata	April 18 1975	<p>December 2009 January 2016 April 2018 June 2020 June 2021</p> <p>Registered as an attorney at law and joined NUMATA LAW OFFICE Representative (current position) Civil Conciliation Commissioner, Tokyo Summary Court (current position) Outside Corporate Auditor, Tokyo Boeki Holdings Corporation (current position) Director of the Company (Current)</p>	See Note 4	---
Full-time Corporate Auditor	Koji Ohta	February 9, 1955	<p>March 1973 July 2002 July 2004 June 2012</p> <p>Joined the Company Group Leader, Accounting Group, General Affairs Dept. General Manager, General Affairs Dept. Full-time Corporate Auditor of the Company (Current)</p>	See Note 5	1,921

Engineering Dept. and Development Support Dept. (sub); Deputy Division Chief, Electronic Materials Business Div.
 Shuichi Kubota Operating Officer supervising Accounting Dept.; Deputy Division Chief, Administration Div.

7. The Company appointed the substitute corporate auditors under the provisions of Article 329, paragraph 3 of the Companies Act as a precaution against shortage in the number of corporate auditors required by the applicable laws and regulations as follows: Hiroshi Hayatsu as a substitute for Koji Ohta, Full-time Corporate Auditor, and Hideyuki Baba as a substitute for the Outside Corporate Auditors, i.e. Koichiro Tanaka and Koichi Yokota. The career summary of each of the said substitute corporate auditors is shown below.

Name	Date of birth	Career summary	Term	Number of shares of the Company held
Hiroshi Hayatsu	March 13, 1957	April 1975 Joined the Company April 2001 Leader of Information System Group May 2010 General Manager of Human Capital Dept. April 2012 General Manager of General Affairs Dept. March 2017 Resigned from the Company	1 year	1,767
Hideyuki Baba	March 29, 1964	April 1998 Registered at Niigata Bar Association April 2003 Representative, Hideyuki Baba Law Office (Current)	1 year	---

2) Status of Outside Directors and Officers

The Company has five (5) Outside Directors and two (2) Outside Corporate Auditors. There is no special interest between any of the outside officers and the Company except for the Company's shares described in "1) Directors and Officers." In addition, they meet the requirements of an independent officer as provided for by Tokyo Stock Exchange, Inc. and are filed as the independent officers of the Company because there is no possibility of conflict of interest between the said officers and the general shareholders of the Company.

Yutaka Tsukahara, an Outside Director, has been involved in the automobile industry for many years through his experiences in sales and product & portfolio planning at Subaru Corporation, and he has also held successive posts as President and Representative Director at Tokyo Subaru Inc. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company's management by leveraging his knowledge and experience as a manager, cultivated through his career, as well as his knowledge in the automobile component industry.

Koji Nakamura, an Outside Director, has been involved in corporate management in Japan and overseas for many years, having served as Senior Executive Managing Officer of Mitsui & Co., Ltd. and as Director at Sanko Gosei Ltd. The Company has appointed him because we deem that he has extensive insight and knowledge regarding global management from his experience as a managing officer at a global company and that he will deliver opinions from an outside perspective with regard to the overall management of the Company, particularly in the area of business strategy, and increase the rationality and transparency of the Company's management.

After graduating from Graduate School of The California State University, Kazuo Abiko, an Outside Director, was appointed the General Manager of Tokyo Studio and General Manager for Northeast Asia at Associated Press while also working as the President of Foreign Correspondents' Club of Japan. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company's management by leveraging his knowledge in international communication and standards and ethics of journalism, including his work as a part-time lecturer at Tokyo University of Foreign Studies and Sophia University thereafter.

Hirotohi Takada, an Outside Director, has served the Representative Director of NIPPON SEIKI CO., LTD. and as Chairman, etc. of overseas subsidiaries, has been engaged over many years in sales and product planning, etc. in the automobile industry; has a deep knowledge of that industry. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by leveraging his abundant experience and broad knowledge as a manager of a company in the manufacturing industry with a global business.

Miho Numata, an Outside Director, is Representative of NUMATA LAW OFFICE, and by serving as Civil Conciliation Commissioner of Tokyo Summary Court and as Outside Corporate Auditor of Tokyo Boeki Holdings Corporation, while managing the law office, she has a well-balanced career. The Company has appointed him because we deem that she will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by using her in-depth knowledge and experience as a legal expert who has worked as an attorney at law for many years, and her sophisticated knowledge relating to governance and compliance, etc.

The Company has appointed Koichiro Tanaka, an Outside Corporate Auditor, because we deem that he will appropriately utilize his suitable level of insight relating to finance and accounting as a certified public accountant and certified tax accountant, his abundant practical experience at a major accounting firm, and his experience working overseas in his duties as an outside Corporate Auditor from an independent and neutral standpoint.

Koichi Yokota, an Outside Corporate Auditor, expanded activities rooted in his hometown of Joetsu-shi as the Head of Yokota Accountant Office. The Company has appointed him because we deem that he will appropriately fulfill his duties as an outside Corporate Auditor from a neutral standpoint based on his extensive experience and expert knowledge as a certified public tax accountant.

The Company has filed five (5) Outside Directors and two (2) Outside Corporate Auditor as independent officers as provided for by Tokyo Stock Exchange, Inc. because the Company deems that there is no possibility of conflict of interest between the said officers and the general shareholders of the Company. Although the Company has no specific standards or policy in force as to independence from the Submitting Company applicable to appointment of Outside Directors or Outside Corporate Auditors, we judge, in making any such appointment, the independence of each candidate in terms of his or her personal, capital and business relationships and any other interests with the Company and also comprehensively judge each candidate's experience and knowledge of corporate governance, internal control and financial reporting, etc.

- 3) Mutual Collaboration between supervision or auditing by Outside Directors or Outside Corporate Auditors and internal audit, accounting audit and auditing by Corporate Auditors, as well as Relationship between supervision or auditing by Outside Directors or Outside Corporate Auditors and Internal Control Division.

The Outside Corporate Auditors, tapping into their wealth of experience and insight, audit the legality of business operations by the Board of Directors and the effectiveness of corporate governance, etc. through attendance at meetings of the Board of Directors and of the Board of Corporate Auditors and also review of various reports on the status of internal audit and accounting audit, etc. obtained directly or via the Full-time Corporate Auditor.

The Outside Directors receive, at the Board of Directors' meetings, etc., reports, etc. on the internal audits conducted upon request of the Board of Corporate Auditors and the audits by the Corporate Auditors or the accounting auditors and maintain mutual collaboration including, but not limited to, opinion exchanges as appropriate.

(3) Status of Audit

1) Status of Auditing by Corporate Auditors

The Board of Corporate Auditors of the Company is composed of three (3) members (one [1] full-time Corporate Auditor and two [2] Outside Corporate Auditors). The Corporate Auditors conduct periodic audits, attend the meeting of the Board of Corporate Auditors (held regular in principle pursuant to the Regulations for the Board of Corporate Auditors) and also raise issues, where appropriate, as to execution of Directors' duties and the status of improvement and operation of the internal control system, etc.

Koji Ohta, a full-time Corporate Auditor, has substantial practical experience of financial and accounting affairs in Accounting Department of the Company. In addition, Koichiro Tanaka, an Outside Corporate Auditor, is a certified public accountant and certified tax accountant, and Koichi Yokota, an Outside Corporate Auditor, is a certified tax accountant and has suitable level of insight relating to finance and accounting.

The meetings of the Board of Corporate Auditors were held six times for the current business year, and the attendance records of each auditor is as follows.

Name	The Number of Meetings	The Number of Attendances
Koji Ohta	Six (6) times	Six (6) times
Koichi Sakai	Five (5) times	Five (5) times
Shinjiro Kawai	Five (5) times	Five (5) times

Note: the attendance records of Koichiro Tanaka and Koichi Yokota, Outside Corporate Auditors, to the Board of Corporate Auditors cover the meetings held after the appointments on June 25, 2020.

The main issues for consideration by the Board of Corporate Auditors are an audit plan, an audit approach and assignment, important matters regarding the audit during the period, other matters regarding an execution of the Auditors, etc.

Note that activities of the Full-time Corporate Auditor are to understand and report to the Board of Corporate Auditors the status of the Company and the content of audit by attending at the meetings of the Board of Directors and other important meetings and exchanging information with the internal audit division, the accounting auditors, etc.

2) Status of Internal Audit

As the internal audit division, three (3) full-time employees are assigned to the Internal Audit Dept., which is independent of other organizations of the Company and conducts scheduled audits and unscheduled audits as appropriate. As for scheduled audits, an audit plan is made for each term pursuant to the relevant internal regulations, and audits are conducted after the final decision by the Chief Executive Officer. Audit results are notified to the relevant departments along with specific advice and recommendations, while reporting to, and opinion exchanges with, the Corporate Auditors are also made.

Results of auditing by the Internal Audit Dept. are reported to the Board of Corporate Auditors, and the Corporate Auditors share in the recognition of such results in the course of their auditing to enhance their collective audit function.

3) Status of Accounting Audit

a. Name of Audit Corporation

Ernst & Young ShinNihon LLC

b. Continuous Audit Period

From 1985 on

This is as far as the Company could find with its investigation, and it might be before the above.

c. CPA who executed the audit work

Akira Igarashi

Eishi Daikoku

d. Composition of assistants involved in the audit work.

The composition of assistants involved in the accounting audit work of the Company is determined in accordance with the criteria for selection of audit corporations and includes five (5) certified public accountants, six (6) of those who passed the certified public accountant examination, etc. and thirteen (13) others.

e. Policy and reason for the selection of Audit Corporation

The Board of Corporate Auditors examines whether Accounting Auditors maintain an independent standpoint and conduct an appropriate audit and decides on the suitability of reappointment to ensure appropriateness and credibility of financial reporting based on the evaluation in accordance with the following "Policy on Decisions on Dismissal or Non-reappointment of the Accounting Auditors" and the evaluative standard established by the Board of Corporate Auditors. As a result of that, it decided that it was unnecessary not to reappoint the above Audit Corporation.

(Policy on Decisions on Dismissal or Non-reappointment of the Accounting Auditor)

If the accounting auditors is found to fall under each item of Article 340, paragraph 1 of the Companies Act, our Board of Corporate Auditors dismisses the accounting auditors based on the unanimous approval from the Board of Corporate Auditors.

Besides that, if it deems it necessary because there is difficulty to conduct an appropriate audit due to an occurrence of causes, etc. to impair an independence and appropriateness of Audit Corporation, the Board of Corporate Auditors decides on and suggests at the General Meeting of Shareholders details of a resolution regarding dismissal or non-reappointment of the accounting auditors.

f. Evaluation of Audit Corporation by Corporate Auditors and Board of Corporate Auditors

Corporate Auditors and Board of Corporate Auditors of the Company evaluate the audit corporations in accordance with "Practical Guidelines for Corporate Auditors, etc. regarding Evaluation of Accounting Auditors and Setting of Selection Standards" (Japan Audit & Supervisory Board Members Association, November 10, 2015). Board of Corporate Auditors checks on Audit Corporation with respect to the problem of quality control system, independence and expertise of the audit team, validity and efficiency of auditing, etc. by means of regular exchanging of opinions with the audit corporation, hearing of matters to be checked, and report on the implementation of audit, etc., so we believe there is no problem.

4) Details, etc. of Remuneration of Accounting Auditors

a. Remuneration of Auditing Certified Public Accountants, etc. (Thousands of yen)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
Submitting Company	36,350	—	38,000	—
Consolidated subsidiaries	—	—	—	—
Total	36,350	—	38,000	—

b. Remuneration of the same network (Ernst & Young) as Auditing Certified Public Accountants (except for a.)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
Submitting Company	—	—	—	—
Consolidated subsidiaries	2,967	—	2,875	1,706
Total	2,967	—	2,875	1,706

Non-audit services of consolidated subsidiaries are composed of closing review audit and tax return.

c. Details of other significant remuneration for audit and attestation services

No applicable matter

d. Policy for Determination of Remuneration of Accounting Auditors

Remuneration of Auditing Certified Public Accountants, etc. of the Company is determined by consideration of scale and characteristics of the Company as well as the number of auditing days, etc., by consultation with the audit corporation and by getting consent of Board of Corporate Auditors.

e. Reason for the consent of Board of Corporate Auditors to remuneration of accounting auditors

Board of Corporate Auditors decided to provide consent to the amount of remuneration of accounting auditors, etc., after carefully examining the adequacy of performance of accounting auditors and such decision-making, etc.

(4) Remuneration, etc. of Directors and Corporate Auditors

1) Matters relating to Policy of Determination on Amount of Remuneration, etc. of Directors and Corporate Auditors or Calculation Method thereof

The Company passed a resolution on the policy for determining details of individual remuneration for the Company's Directors at the Board of Directors' Meeting held on June 25, 2021. In passing the resolution at the Board of Directors' Meeting, we consulted with and followed a report by the Assignment and Remuneration Advisory Committee. In addition, the Board of Directors' Meeting confirmed that regarding the individual remuneration for the Company's Directors, the policy for determining details of remuneration, etc. and the determined details of remuneration, etc. are consistent with the policy passed at the Board of Directors' Meeting and the report by the Assignment and Remuneration Advisory Committee is respected, and deems that they comply with the policy for determination.

(Remuneration, etc. of Directors and Corporate Auditors)

a. Basic Guidelines for Remuneration System for Directors and Corporate Auditors

The Company's remuneration system for directors and corporate auditors is based on the following basic policy.

- The system should encourage the management to improve their performance through associating the performance with remuneration and to exercise their solid entrepreneurship for sustainable development of the Company.
- The system should reflect not only financial performance but also appreciation for proactive initiative based on the management philosophy of "CIC Better today than yesterday, better tomorrow than today" with the

venture spirit of “Creation, Innovation and Challenge”.

- The system should attract excellent human resources for management who can contribute to sustainable development and enhancement of corporate value of the Company.

Based on the basic policy, the system should be remuneration structure that is linked to shareholder interest so as to fully function as an incentive for sustainable enhancement of the corporate value of the Company and that is at a reasonable level on the basis of their duties in determining remuneration of each directors. Specifically, the remuneration for executive directors is constituted of basic remuneration as fixed remuneration, performance-based remuneration and stock-based compensation (restricted stock-based compensation), and Outside Directors who assume a role of supervisory function should be paid only basic remuneration in consideration of their duty.

b. Policy on Basic Remuneration

The basic remuneration for Directors shall be fixed monthly remuneration and comprehensively considered and determined in accordance with positions, duties, and tenure and in view of other companies’ level, the Company’s performance, and employees’ wage levels.

c. Policy on Performance-Based Remuneration

The performance-based remuneration shall be cash remuneration reflecting Key Performance Indicators (KPI) that raise awareness about an improvement of performance for each business year, and one twelfth of the amount calculated according to the degree of achievement of a target value of consolidated operating income for each business year is paid monthly all together with basic remuneration.

This base amount shall be 60% of the basic remuneration and, in principle, be varied by the base amount multiplied by 0% to 200% according to the degree of achievement of KPI. However, as regards the performance-based remuneration of senior managing operating officers and senior operating officers, the degree of achievement of KPI shall be calculated by taking into consideration the results of the performance evaluation of each division.

KPI as targets and their value shall be set to be consistent with a medium-term management plan when they are formulated, and be reviewed appropriately on the basis of a report by the Assignment and Remuneration Advisory Committee according to changes in environment.

As for the period from July 2020 to June 2021, KPI shall be a previous consolidated operating income, and the performance targets shall be set at 3,500 million yen.

d. Policy on Stock-Based Compensation (Non-Monetary Remuneration)

Stock-based compensation shall be restricted stock-based compensation as an incentive to continuously enhance the corporate value of the Company. Monetary receivables shall be paid in accordance with the basic remuneration, and restricted common stock of the Company shall be granted in accordance with the monetary receivables.

- The total amount of monetary receivables for the grant of restricted stock shall not exceed 50 million yen per year, and the total number of the Company’s common stock to be granted shall not exceed 50,000 shares per year.

- The paid-in amount per share shall be an amount not particularly favorable to the eligible Directors based on the closing price on the Tokyo Stock Exchange on the business day immediately preceding the day of a resolution by the Board of Directors (or, if no transactions are conducted on the same day, the closing price on the immediately preceding business day).

- The transfer restriction period shall be until the time immediately following the time of resignation from a position of the Company or its subsidiaries as determined in advance by the Board of Directors of the Company.

e. Policy on the Ratio of Remuneration, etc.

The remuneration ratio by type of executive directors shall be examined by the Assignment and Remuneration Advisory Committee which consists of independent Outside Directors and Representative Director based on the remuneration levels benchmarked against companies that belong to the same scale of business as the Company or related industries and business categories. The Board of Directors (f. The President and Representative Director who is delegated on the decision of remuneration, etc.) shall respect the details of a report by the Assignment and Remuneration Advisory Committee and determine the details of remuneration, etc. for individual Directors within the range of the remuneration ratio by type indicated in the report.

An index of the ratio for each type of remuneration shall be as follows:

basic remuneration: performance-based remuneration: stock-based compensation = 5 : 3 : 2 (in the case of 100% achievement of KPI).

f. Matters Concerning the Delegation of Decisions on Remuneration, etc.

With respect to the amount of remuneration for each individual Director, the President and Representative Director shall be delegated the authority to determine the specific details of such remuneration in accordance with a resolution of the Board of Directors, and the details of such authority shall be the amount of basic

remuneration for each Director and the evaluation allocation based on the performance of the division of which each Director is in charge in the performance-based remuneration. The Board of Directors shall consult with the Assignment and Remuneration Advisory Committee on a draft and obtain its report so that the President and Representative Director may appropriately exercise such authority, and the President and Representative Director who has received the above delegation shall make decisions in accordance with the content of such report.

As for stock-based compensation, the Board of Directors shall resolve the number of shares to be allocated to each individual Director based on the report of the Assignment and Remuneration Advisory Committee.

(Remuneration of Corporate Auditors, etc.)

a. Basic Policy

The Company's basic policy is to pay an appropriate level of remuneration to each Corporate Auditor for the performance of his or her duties.

b. Method of Determining Remuneration

The remuneration for Corporate Auditors is determined through discussions among the corporate auditors, taking into consideration whether they work full-time or part-time and the division of audit work.

c. Details of Remuneration for Corporate Auditors

The remuneration for Corporate Auditors is fixed remuneration only, which is paid on a monthly basis, with an emphasis on strengthening their independence from management.

(Outline of the Assignment and Remuneration Advisory Committee and its Activity Status during the current business year, etc.)

The Company has established the Assignment and Remuneration Advisory Committee as an advisory body to the Board of Directors in order to improve the independence, objectivity and transparency of the procedures for determining the nomination and remuneration of Directors and to enhance corporate governance. The majority of the committee members are independent Outside Directors, and a chairman is selected from among independent Outside Directors.

During the current business year, the Assignment and Remuneration Advisory Committee was convened three times. The main deliberations regarding remuneration were as follows:

- May 14, 2020: deliberation on performance-based remuneration
- January 28, 2021: deliberation on remuneration system/remuneration level, medium- to long-term incentive remuneration
- February 18, 2021: deliberation on the policy on determining Directors' remuneration, the introduction of stock-based compensation

(Resolution of a General Meeting of Shareholders regarding Remuneration of Directors and Corporate Auditors)

It was resolved at the 56th Ordinary General Meeting of Shareholders held on June 29, 2004 that total amount of remuneration for Directors should be no more than 30 million yen per month and total amount of remuneration for Corporate Auditors should be no more than 3 million yen per month.

It was resolved at the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021 that the Company should introduce restricted stock compensation instead of the existing stock option remuneration for Directors, the amount of compensation, etc. should be no more than 50 million yen per year and the number of shares should be no more than 50,000 per year. The number of Directors and Corporate Auditors covered (as of the filing date: June 26, 2021) consists of 9 directors (4 inside directors and 5 outside directors) and 3 corporate auditors regarding monthly remuneration and 4 directors (only inside directors) regarding stock option remuneration.

2) The aggregate amount of remuneration, etc. of each category of Directors and Corporate Auditors, the breakdown of such aggregate amount by the type of remuneration, etc. and the number of Directors and Corporate Auditors covered

Category of Directors and Corporate Auditors	Aggregate amount of remuneration, etc. (Thousands of yen)	Breakdown by the type of remuneration, etc. (Thousands of yen)			Number of Directors or Corporate Auditors covered
		Fixed Remuneration	Performance-Based Remuneration	Non-Monetary Remuneration, etc.	
Directors (excluding Outside Directors)	166,579	103,000	54,282	9,297	4
Corporate Auditors (excluding Outside Corporate Auditors)	13,830	13,830	—	—	1
Outside Directors and Outside Corporate Auditors	19,217	19,217	—	—	8

- Note: 1. the above table includes one Director (one Outside Director) and two Corporate Auditors (two Outside Corporate Auditors) who retired at the conclusion of the 72nd Ordinary General Meeting of Shareholders held on June 25, 2020.
2. The Key Performance Indicators (KPI) for performance-based remuneration, etc. are consolidated operating income for a single year, which was 2,762 million yen. The reason for selecting such Indicators is that it is a financial indicator which represents the results of the primary business activities of companies and which is also used in the bonus system for employees and it is important to keep consistency between both systems.
3. When considering a remuneration level, we verify the validity thereof through an objective and multifaceted benchmark analysis of remuneration which is based on "Management Remuneration Database" run by an outside remuneration consultant.
4. The details of non-monetary remuneration, etc. are stock acquisition rights as stock-based compensation-type stock options, and the fair value of the stock acquisition rights was calculated and the amount recorded as expenses in the current business year is shown.

(5) Status of Shareholding

1) Criterion and attitude for segmentation of investment stock

Regarding segmentation of investment stock held for purposes of pure investment and held for purposes other than pure investment, we separate purposes of making a profit through value change of stock or dividends on stock as "purposes of pure investment" from the other purposes as "purposes other than pure investment".

2) Investment stock held for purposes other than pure investment

- a. Policy on holding, Method of verifying the reasonableness of holding, and Verified matters by the Board of Directors, etc., regarding appropriateness of holding individual stock names

(1) Policy on holding

Regarding investment stock held by the Company for purposes other than pure investment (hereinafter referred to as "Cross-shareholdings"), shares, etc. of business partners, etc. may be acquired and held if it is judged that such acquisition will contribute to the enhancement of corporate value of the Company over the mid-and-long-term in terms of facilitation and reinforcement, etc. of building stable and long-term business relations, business collaboration or cooperative business activities with the said business partners. We will verify effectiveness of holding, etc. in terms of mid-and-long-term economic rationality as well as maintenance and strengthening of comprehensive relationship. And such validation will be reported to the Board of Directors. If any stock names are judged, through the verification, to have no reasonableness of holding, we will sell off such stocks and reduce the shareholdings.

(2) Method of verifying the reasonableness of shareholding

Regarding all Cross-shareholdings held, the Board of Directors yearly gives comprehensive consideration to quantitative analysis of transaction performances and returns, etc. through shareholdings, qualitative analysis of status of business relations based on the policy on shareholding, strategic background of acquisition, etc., as well as risk of shareholding, etc., and then verifies and evaluates the propriety of such shareholding.

Following items are verified through the quantitative analysis:

- 1) whether dividend earning rate is worth capital cost or not
- 2) annual amount of transaction, amount of profits
- 3) profit or loss from valuation of stock

(3) Verified matters by the Board of Directors, etc. regarding the propriety of holding individual stock names

At the Board of Directors held in May of 2021, the Company verified status of shareholding, risk returns, importance of business and comprehensive meaning of shareholding, with respect to all shares (20 stock names) held as Cross-shareholdings, and decided to reduce eight (8) stock names.

b. Number of stock names and amount shown on balance sheets

	Number of stock names (Stock names)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)
Unlisted stock	11	55,017
Stock other than unlisted stock	9	2,562,410

(Stock names whose number of shares increased in the current business year)

	Number of stock names (Stock names)	Aggregate amount of acquisition price associated with increase in number of shares (Thousands of yen)	Reason for increase in number of shares
Unlisted stock	—	—	—
Stock other than unlisted stock	—	—	—

(Stock names whose number of shares decreased in the current business year)

	Number of stock names (Stock names)	Aggregate amount of acquisition price associated with decrease in number of shares (Thousands of yen)
Unlisted stock	—	—
Stock other than unlisted stock	3	294,843

c. Information regarding the number of shares for each stock name of Specified Investment Stock and Deemed Shareholding, as well as the amount shown on balance sheets, etc.
Specified Investment Stock

Stock name	Current business year	Previous business year	Purpose of shareholding, quantitative effect of shareholding, and reason for increase in number of shares	Holding shares of the Company
	Number of shares held	Number of shares held		
	Amount shown on balance sheets (Thousands of yen)	Amount shown on balance sheets (Thousands of yen)		
Mitsubishi Gas Chemical Company, Inc.	333,000	333,000	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : (Note)2	Yes
	903,762	391,608		
Mitsubishi Electric Corporation	275,000	275,000	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	463,787	367,125		
Fujikura Ltd.	823,500	823,500	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	447,160	257,755		
The Hachijuni Bank, Ltd.	581,113	581,113	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	234,188	227,215		

Stock name	Current business year	Previous business year	Purpose of shareholding, quantitative effect of shareholding, and reason for increase in number of shares	Holding shares of the Company
	Number of shares held	Number of shares held		
	Amount shown on balance sheets (Thousands of yen)	Amount shown on balance sheets (Thousands of yen)		
NOK Corporation	132,700	132,700	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	199,182	158,311		
Kaneka Corporation	30,000	30,000	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	136,500	77,700		
Daishi Hokuetsu Financial Group, Inc.	49,962	49,962	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	No (Note)3
	130,400	118,060		

Stock name	Current business year	Previous business year	Purpose of shareholding, quantitative effect of shareholding, and reason for increase in number of shares	Holding shares of the Company
	Number of shares held	Number of shares held		
	Amount shown on balance sheets (Thousands of yen)	Amount shown on balance sheets (Thousands of yen)		
Mitsubishi UFJ Financial Group, Inc.	62,420	62,420	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	No (Note)4
	36,933	25,155		
Sumitomo Corporation	6,655	6,655	Purpose of shareholding: As the said group is a main customer of electronic materials products and a vender of raw materials, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	No (Note)5
	10,494	8,245		
ViSCO Technologies Corporation	—	278,400	As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	204,624		
Broadcasting System of Niigata Inc.	—	1,800	As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	2,061		
Kobe Steel, Ltd.	—	515	As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	172		

(Note) 1. "—" shows that there is no shareholding of the stock name

2. Because of the difficulty in stating quantitative effect of shareholding, method of verifying the reasonableness of shareholding is stated. The method of verifying is as stated above in "(2) Method of verifying the reasonableness of shareholding" of "a. Policy on holding, Method of verifying the reasonableness of holding, and Verified matters by the Board of Directors, etc., regarding appropriateness of holding individual stock names".
3. Daishi Hokuetsu Financial Group, Inc. holds no shares of the Company, while The Daishi Hokuetsu Bank, Ltd., a group company of the said Group, hold shares of the Company.
4. Mitsubishi UFJ Financial Group, Inc. holds no shares of the Company, while MUFG Bank, Ltd., a group company of the said Group, holds shares of the Company.
5. Sumitomo Corporation holds no shares of the Company, while Sumitomo Shoji Chemicals Co., Ltd., a group company of the said Corporation, holds shares of the Company.

Deemed Shareholding
No applicable matter.

3) Investment stock held for purposes of pure investment

Category	Current business year		Previous business year	
	Number of stock names (Stock name)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)	Number of stock names (Stock name)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)
Unlisted stock	—	—	—	—
Stock other than unlisted stock	—	—	—	—

Category	Current business year		
	Aggregate amount of Dividends income (Thousands of yen)	Aggregate amount of loss on sales (Thousands of yen)	Aggregate amount of loss on valuation (Thousands of yen)
Unlisted stock	—	—	—
Stock other than unlisted stock	—	—	—

V. Status of Accounting

1. Method of Preparation of Consolidated Financial Statements and Financial Statements

(1) The consolidated financial statements of the Company are prepared in compliance with the “Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministerial Ordinance No. 28 of the Ministry of Finance, 1976).

(2) The financial statements of the Company are prepared in compliance with the “Regulations for Terminology, Forms and Preparation Methods of Financial Statements, etc.” (Ministerial Ordinance No. 59 of the Ministry of Finance, 1963; hereinafter referred to as the “Regulations for Financial Statements”).

The Company falls under the Special Financial Statement-Submitting Companies and prepares its financial statements pursuant to the provisions of Article 127 of the Regulations for Financial Statements.

2. Certification of Audit

The Company received a review of its consolidated financial statements for the current consolidated fiscal year (From April 1, 2020 to March 31, 2021) and its financial statements for the current business year (From April 1, 2020 to March 31, 2021) conducted by Ernst & Young ShinNihon LLC under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Secure Appropriateness of Consolidated Financial Statements, etc.

The Company makes special efforts to secure appropriateness of its consolidated financial statements, etc. Specifically, we make efforts to improve our systems by subscription to professional journals aiming to gain correct understanding of the changes, etc. in the accounting standards and also affiliation with the Financial Accounting Standards Foundation aiming to ensure precise understanding of and appropriate responses to the contents of the accounting standards, etc.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2020)		Current consolidated fiscal year (As of March 31, 2021)	
Assets				
Current assets				
Cash and deposits	*2	14,714,069	*2	13,215,508
Notes and accounts receivable- trade		17,697,085		16,766,218
Securities		1,558,445		1,242,430
Merchandise and finished goods		3,083,432		3,896,377
Work in process		2,017,729		2,175,632
Raw materials and supplies		3,177,428		3,026,247
Income taxes receivable		—		1,415,974
Other		1,059,764		778,645
Allowance for doubtful accounts		△585,049		△161,830
Total current assets		42,722,906		42,355,204
Non-current assets				
Property, plant and equipment				
Buildings and structures		20,082,654		20,846,998
Accumulated depreciation		△14,210,115		△14,701,594
Buildings and structures, net	*2	5,872,538	*2	6,145,403
Machinery, equipment and vehicles		29,537,558		30,457,713
Accumulated depreciation		△25,575,578		△26,585,177
Machinery, equipment and vehicles, net	*2	3,961,980	*2	3,872,536
Land	*2	1,877,655	*2	1,888,569
Construction in progress		291,586		293,853
Other		3,022,196		3,225,023
Accumulated depreciation		△2,100,819		△2,207,990
Other, net	*2	921,376	*2	1,017,032
Total property, plant and equipment		12,925,137		13,217,395
Intangible assets		225,017		244,870
Investments and other assets				
Investment securities	*1	14,207,192	*1	10,666,038
Long-term loans receivable		214,352		67,179
Net defined benefit asset		16,579		—
Deferred tax assets		861,196		208,316
Other	*2	674,765	*2	513,336
Allowance for doubtful accounts		△137,662		△14,923
Total investments and other assets		15,836,423		11,439,946
Total non-current assets		28,986,578		24,902,213
Total assets		71,709,484		67,257,417

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2020)		Current consolidated fiscal year (As of March 31, 2021)	
Liabilities				
Current liabilities				
Notes and accounts payable-trade		6,916,079		6,657,426
Current portion of bonds		36,800		36,800
Short-term loans payable	*2, *3	4,866,202	*2, *3	3,606,087
Current portion of long-term loans payable	*2	187,669	*2	182,724
Lease obligations		60,138		87,885
Income taxes payable		3,428,200		277,821
Provision for bonuses		570,517		535,756
Provision for directors' bonuses		4,793		3,870
Other		2,355,419		2,729,887
Total current liabilities		18,425,820		14,118,258
Non-current liabilities				
Bonds payable		91,200		54,400
Long-term loans payable	*2	2,567,816	*2	3,761,507
Lease obligations		391,672		487,985
Deferred tax liabilities		236,866		593,992
Net defined benefit liability		738,606		607,032
Asset retirement obligations		92,310		89,466
Other		147,024		99,956
Total non-current liabilities		4,265,495		5,694,340
Total liabilities		22,691,316		19,812,598
Net assets				
Shareholders' equity				
Capital stock		7,594,026		7,623,638
Capital surplus		6,706,017		4,403,396
Retained earnings		34,256,590		33,374,092
Treasury stock		△3,204,797		△1,159,364
Total shareholders' equity		45,351,837		44,241,763
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		448,970		1,569,049
Deferred gains or losses on hedges		△1,311		△8,237
Foreign currency translation adjustment		478,798		486,242
Remeasurements of defined benefit plans		△141,260		△3,959
Total accumulated other comprehensive income		785,197		2,043,095
Share acquisition rights		166,148		193,962
Non-controlling interests		2,714,984		965,997
Total net assets		49,018,167		47,444,819
Total liabilities and net assets		71,709,484		67,257,417

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
 [Consolidated Statements of Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)		Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)	
Net sales		45,970,001		46,439,548
Cost of sales	*1, *2	38,224,015	*1, *2	38,501,052
Gross profit		7,745,986		7,938,496
Selling, general and administrative expenses				
Freightage and packing expenses		718,576		723,915
Salaries and allowances		1,524,596		1,587,133
Provision for bonuses		128,247		130,417
Provision for directors' bonuses		4,793		3,870
Retirement benefit expenses		76,213		86,200
Provision of allowance for doubtful accounts		5,888		4,292
Other		2,525,606		2,284,179
Total selling, general and administrative expenses	*1	4,983,921	*1	4,820,009
Operating income		2,762,064		3,118,486
Non-operating income				
Interest income		327,172		271,613
Dividends income		104,317		88,170
Foreign exchange gains		—		206,698
Subsidy income		14,189		147,490
Other		300,312		210,578
Total non-operating income		745,991		924,550
Non-operating expenses				
Interest expenses		97,422		110,687
Loss on redemption of investment securities		138,830		50,675
Commission for purchase of consolidated subsidiaries shares		—		49,024
Foreign exchange losses		134,442		—
Rent expenses		93,113		109,759
Other		260,994		144,807
Total non-operating expenses		724,804		464,954
Ordinary income		2,783,251		3,578,083
Extraordinary income				
Gain on sales of non-current assets	*3	265	*3	515
Gain on sales of investment securities	*4	1,294,172		323,156
Other		16,422		27,550
Total extraordinary income		1,310,859		351,222
Extraordinary losses				
Impairment loss	*5	475,811	*5	69,684
Impairment loss of goodwill	*5	175,447		—
Loss on sales of investment securities		2,894		313,624
Loss on valuation of investment securities		293,587		—
Other		23,934		29,331
Total extraordinary losses		971,674		412,640
Income before income taxes		3,122,437		3,516,666
Income taxes – current		3,698,729		456,889
Income taxes – deferred		△1,020,085		461,375
Total income taxes		2,678,644		918,265
Profit		443,792		2,598,400
Profit attributable to non-controlling interests		231,000		437,760
Profit attributable to owners of the parent		212,792		2,160,640

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Profit	443,792	2,598,400
Other comprehensive income		
Valuation difference on available-for-sale securities	△296,163	1,120,090
Deferred gains or losses on hedges	△1,755	△6,925
Foreign currency translation adjustment	△134,015	△42,333
Remeasurements of defined benefit plans, net of tax	△27,799	137,301
Share of other comprehensive income of entities accounted for using equity method	△101,311	1,721
Total other comprehensive income	* △561,044	* 1,209,853
Comprehensive income	△117,251	3,808,254
(Breakdown)		
Comprehensive income attributable to owners of the parent	△307,229	3,418,538
Comprehensive income attributable to non-controlling interests	189,977	389,715

3) Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
 Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	7,541,693	6,653,615	35,130,363	△4,764	49,320,907
Changes of items during the period					
Issuance of new shares	52,333	52,402			104,735
Dividends from surplus			△1,086,565		△1,086,565
Profit attributable to owners of the parent			212,792		212,792
Purchase of treasury shares				△3,200,033	△3,200,033
Retirement of treasury shares					
Purchase of shares of consolidated subsidiaries					
Net changes of items other than shareholders' equity					
Total changes of items during the period	52,333	52,402	△873,773	△3,200,033	△3,969,070
Balance at end of current period	7,594,026	6,706,017	34,256,590	△3,204,797	45,351,837

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	745,120	443	707,571	△147,916	1,305,219	144,419	2,691,582	53,462,129
Changes of items during the period								
Issuance of new shares								104,735
Dividends from surplus								△1,086,565
Profit attributable to owners of the parent								212,792
Purchase of treasury shares								△3,200,033
Retirement of treasury shares								
Purchase of shares of consolidated subsidiaries								
Net changes of items other than shareholders' equity	△296,149	△1,755	△228,773	6,656	△520,021	21,729	23,401	△474,890
Total changes of items during the period	△296,149	△1,755	△228,773	6,656	△520,021	21,729	23,401	△4,443,961
Balance at end of current period	448,970	△1,311	478,798	△141,260	785,197	166,148	2,714,984	49,018,167

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	7,594,026	6,706,017	34,256,590	△3,204,797	45,351,837
Changes of items during the period					
Issuance of new shares	29,612	29,612			59,224
Dividends from surplus			△997,370		△997,370
Profit attributable to owners of the parent			2,160,640		2,160,640
Purchase of treasury shares				△334	△334
Retirement of treasury shares			△2,045,767	2,045,767	—
Purchase of shares of consolidated subsidiaries		△2,332,233			△2,332,233
Net changes of items other than shareholders' equity					
Total changes of items during the period	29,612	△2,302,621	△882,498	2,045,433	△1,110,073
Balance at end of current period	7,623,638	4,403,396	33,374,092	△1,159,364	44,241,763

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	448,970	△1,311	478,798	△141,260	785,197	166,148	2,714,984	49,018,167
Changes of items during the period								
Issuance of new shares								59,224
Dividends from surplus								△997,370
Profit attributable to owners of the parent								2,160,640
Purchase of treasury shares								△334
Retirement of treasury shares								—
Purchase of shares of consolidated subsidiaries								△2,332,233
Net changes of items other than shareholders' equity	1,120,078	△6,925	7,444	137,301	1,257,897	27,814	△1,748,986	△463,274
Total changes of items during the period	1,120,078	△6,925	7,444	137,301	1,257,897	27,814	△1,748,986	△1,573,348
Balance at end of current period	1,569,049	△8,237	486,242	△3,959	2,043,095	193,962	965,997	47,444,819

4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Income before income taxes	3,122,437	3,516,666
Depreciation	1,982,964	2,107,827
Impairment loss	475,811	69,684
Impairment loss of goodwill	175,447	—
Amortization of goodwill	43,861	—
Share-based compensation expenses	55,402	73,411
Increase (decrease) in provision for product warranties	79	△83
Increase (decrease) in provision for bonuses	60,109	△34,761
Increase (decrease) in provision for directors' bonuses	836	△923
Increase (decrease) in allowance for doubtful accounts	103,649	35,975
Increase (decrease) in net defined benefit liability	71,720	65,982
Interest and dividends income	△431,489	△359,784
Subsidy income	△14,189	△147,490
Interest expenses	97,422	110,687
Bad debts expenses	—	29,048
Foreign exchange losses (gains)	10,569	△229,332
Share of (profit) loss of entities accounted for using equity method	52,281	46,062
Loss (gain) on sales of investment securities	△1,291,341	△9,532
Loss (gain) on valuation of investment securities	293,587	—
Loss (gain) on redemption of investment securities	82,394	2,304
Loss (gain) on sales of non-current assets	△265	△515
Loss on retirement of property, plant and equipment	6,637	6,255
Gain on reversal of share acquisition rights	△16,422	△27,550
Decrease (increase) in notes and accounts receivable-trade	△1,561,941	985,325
Decrease (increase) in inventories	1,034,154	△799,651
Increase (decrease) in notes and accounts payable-trade	799,562	△283,709
Increase (decrease) in accrued consumption taxes	201,531	△163,601
Decrease (increase) in other assets	△332,592	△159,878
Increase (decrease) in other liabilities	△114,813	353,207
Other, net	△5,185	—
Subtotal	4,902,219	5,185,625
Interest and dividends income received	619,083	410,659
Interest expenses paid	△63,256	△162,805
Income taxes (paid) refund	△634,236	△4,970,454
Proceeds from subsidy income	14,189	147,490
Net cash provided by (used in) operating activities	4,837,999	610,515

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Cash flows from investing activities		
Payments into time deposits	△200,000	△1,771,360
Proceeds from withdrawal of time deposits	210,000	200,000
Purchase of securities	△200,000	△900,000
Proceeds from sales of securities	—	1,100,000
Purchase of property, plant and equipment	△2,771,975	△1,908,002
Proceeds from sales of property, plant and equipment	397	1,097
Purchase of intangible assets	△105,378	△75,825
Purchase of investment securities	△1,032,333	△672,081
Proceeds from sales of investment securities	1,421,883	5,610,543
Proceeds from sales of shares of subsidiaries and associates	9,215,040	—
Payments of loans receivable	△22,000	△29,000
Collection of loans receivable	19,877	41,020
Decrease (increase) in other investments	44,677	△29,040
Net cash provided by (used in) investing activities	6,580,188	1,567,351
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△548,879	△1,281,546
Proceeds from long-term loans payable	1,908,898	1,681,977
Repayments of long-term loans payable	△1,223,318	△478,069
Repayments of lease obligations	△52,153	△64,882
Payments for long-term accounts payable - other	△115,173	△99,170
Redemption of bonds	△36,800	△36,800
Proceeds from issuance of common shares	87,484	50,032
Purchase of treasury stock	△3,200,033	△334
Cash dividends paid	△1,085,016	△995,340
Cash dividends paid to non-controlling interests	△166,575	△155,966
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	△4,324,082
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	1,000
Net cash provided by (used in) financing activities	△4,431,566	△5,703,182
Effect of exchange rate change on cash and cash equivalents	20,680	287,618
Net increase (decrease) in cash and cash equivalents	7,007,302	△3,237,696
Cash and cash equivalents at beginning of period	7,718,682	14,725,985
Cash and cash equivalents at end of period	*1 14,725,985	*1 11,488,288

[Notes]

(Important Matters Underlying Preparation of Consolidated Financial Statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: eleven (11)

Names of major consolidated subsidiaries:

ThinFlex Corporation, ThinFlex Technology Corporation (B.V.I.), TopFlex Corporation, Satosen Co., Ltd., Arisawa Fiber Glass Co., Ltd., Protec International Holdings Co., Ltd., Protec Arisawa Europe, S.A., Protec Arisawa America, Inc., Arisawa Sogyo Co., Ltd., Arisawa Jushi Kogyo Co., Ltd., ColorLink Japan, Ltd.,

(2) Names, etc. of major non-consolidated subsidiaries

Major non-consolidated subsidiaries:

Arisawa Manufacturing (Dalian) Co., Ltd., Kashiwa Seiki Co., Ltd.

(Reasons for excluding the above-mentioned non-consolidated subsidiaries from the scope of consolidation)

The non-consolidated subsidiaries are small in size, and their aggregate total assets, net sales, net income or loss (Amount corresponding to the Company's equity interest) and retained earnings (Amount corresponding to the Company's equity interest), etc. do not materially affect the consolidated financial statements.

2. Matters concerning application of equity method

(1) Number of affiliated companies accounted for under the equity method: one ()

Names of major affiliated companies:

Innovision FlexTech Corporation

(2) As the non-consolidated subsidiaries (Arisawa Manufacturing (Dalian) Co., Ltd. and two (2) other companies) and the affiliated companies (Ryoyu Industrial Corporation and two (2) other company) to which the equity method is not applied have only slight effects on the consolidated financial statements in terms of net income or loss (Amount corresponding to the Company's equity interest) and retained earnings (Amount corresponding to the Company's equity interest), etc. (even if they are excluded from the scope of application of the equity method) and also bear no significance as a whole, these companies have been excluded from the scope of application of the equity method.

(3) With respect to those companies accounted for under the equity method whose closing dates differ from the consolidated closing date, the financial statements for the relevant business year of each such company have been used.

3. Matters concerning business year, etc. of consolidated subsidiaries

The closing date of ThinFlex Corporation, TopFlex Corporation, ThinFlex Technology Corporation (B.V.I.), Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc., all of which are consolidated subsidiaries, is December 31 of each year.

In preparation of consolidated financial statements, financial statements as of the said closing date are used; provided, however, that for the important transactions conducted in the period from January 1 to March 31 (i.e. the consolidated closing date), the adjustments necessary for consolidation purposes have been made.

4. Matters concerning accounting policies

(1) Valuation standards and valuation methods for important assets

1) Securities

Available-for-sale securities

Securities with available fair market values:

Stated at fair market value based on the market price as of the closing date, etc. (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the average cost method.)

Securities with no available fair market value:

Stated at average cost.

2) Derivative financial instruments

Stated at fair value method

3) Inventories

Merchandise, finished goods, semi-finished goods and work in process:

The Company and its domestic consolidated subsidiaries primarily adopt the cost method on a first-in, first-out basis (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.), and the overseas subsidiaries primarily adopt the lower-of-cost-or-market method based on the moving average method.

Raw materials and supplies:

The Company and its domestic consolidated subsidiaries primarily adopt the cost method based on the periodic average method (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.), and the overseas subsidiaries primarily adopt the lower-of-cost-or-market method based on the moving average method.

(2) Methods of depreciation and amortization of important depreciable assets

1) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries adopt the declining-balance method, except for the buildings (excluding accompanying facilities) acquired on or after April 1, 1998, and accompanying facilities and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method. The overseas consolidated subsidiaries adopt the straight-line method.

The useful life mostly falls within the ranges shown below:

Buildings and structures: ten (10) years to thirty-one (31) years

Machinery, equipment and vehicles: four (4) years to nine (9) years

2) Intangible assets (excluding lease assets)

The straight-line method is adopted. Software used by the Company is amortized over an estimated in-house usable period. (Currently five (5) years)

In addition, technology-related assets are amortized over the economic useful life (8 years).

3) Lease assets

Lease assets related to finance lease transactions that entail transfer of title

Depreciation and amortization is based on the same method as applied to self-owned non-current assets.

Lease assets related to finance lease transactions that do not entail transfer of title

Depreciation and amortization is based on the straight-line method that takes the lease period as the useful life and sets the residual value at zero (0).

(3) Standards for recording important allowances and provisions

1) Allowance for doubtful accounts

As a reserve for potential loan losses, an estimated uncollectible amount is allocated based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectibility in each instance in the case of some specific accounts receivable, e.g. doubtful receivables.

2) Provision for bonuses

The Company and some of its consolidated subsidiaries, in preparation for the payment of bonuses to their respective employees, allocate such portion of the expected aggregate bonus amount that is recognizable in the current consolidated fiscal year.

3) Provision for directors' bonuses

Some of the Company's consolidated subsidiaries, in preparation for the payment of bonuses to their respective directors and officers, make a relevant allocation based on the expected aggregate amount of such bonus payment for the current consolidated fiscal year.

4) Provision for product warranties

As a reserve for warranty expenses potentially incurred with respect to the products delivered to customers, an amount reasonably expected to accrue in such expenses is estimated and appropriated.

- (4) Accounting methods concerning retirement benefits
 - 1) Method of inter-period attribution of expected retirement benefits

In calculating retirement benefit obligations, the benefit formula is employed as the method of attributing the estimated amount of each employee's retirement benefits to his or her service period up to the end of the current consolidated fiscal year.
 - 2) Method of recognizing actuarial differences as expenses

Actuarial differences are recognized as expenses, effective from the consolidated fiscal year immediately following the year of occurrence of each such difference, in an amount prorated using the straight-line method over a certain number of years (Currently five (5) years) within the average remaining service period of the employees at the time of occurrence of the said difference in each consolidated fiscal year.
 - 3) Adoption of simplified method by small-scale businesses, etc.

Some of the Company's consolidated subsidiaries employ, in calculating their respective net defined benefit liabilities and retirement benefit expenses, a simplified method which deems the size of retirement benefit obligations to be equal to the aggregate amount of retirement benefits payable assuming the voluntary retirement of all employees at the end of the current period.
- (5) Standards for translating important foreign currency assets and liabilities into Japanese currency

Foreign currency monetary assets and liabilities are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, and the resulting translation differences are entered as income or loss, as the case may be. Assets and liabilities of overseas subsidiaries, etc. are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, and their respective incomes and expenses are translated into Japanese yen at the average exchange rate during the period, with the resulting translation differences being recorded as part of "Foreign currency translation adjustment" and "Non-controlling interests" in the "Net assets" section.
- (6) Accounting method of significant hedge transactions
 - 1) Method of hedge accounting

The Company adopts the deferred hedge accounting. With respect to the forward exchange contracts that meet the requirements of hedge accounting, we adopt the designated hedge accounting.
 - 2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts
Hedged items: Monetary claims denominated in foreign currencies, Anticipated transactions in foreign currencies
 - 3) Hedging policy

Forward foreign exchange transactions are conducted within the scope of actual demand for the purpose of deterring risks involved in transactions denominated in foreign currencies from the fluctuations in the foreign exchange market. These transactions will never be entered for speculative purpose.
 - 4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of hedging based on the ratio of changes that is calculated by comparing the cumulative total of the market fluctuations of hedged items with that of hedging instruments. However, when the forward foreign exchange transactions are by designated hedge accounting, such assessment of effectiveness is omitted.
- (7) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over a five (5)-year period.
- (8) Scope of funds in the consolidated statements of cash flows

The funds consist of cash on hand, demand deposits that are immediately withdrawable and short-term investments with a maturity of three (3) months or less from the date of acquisition which are readily convertible to cash and carry only a negligible risk of value fluctuations.
- (9) Other important matters concerning preparation of consolidated financial statements

Accounting methods concerning consumption tax, etc.
The consumption tax, etc. are accounted for using the tax exclusion method.
Accounting methods concerning deferred assets
Stock delivery expenses are fully charged to expenses when they are paid.

(Significant Accounting Estimates)

1. Valuation for Inventories

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

Loss on valuation of inventory and inventory at the end of period related to aircraft materials are as follows:

Loss on valuation of inventory 15,419 thousand yen, Merchandise and finished goods 324,702 thousand yen, Work in process 157,010 thousand yen.

(2) Other information that contributes to the understanding of users of financial statements

1) Calculation method

With regard to inventories that are slow-moving or to be disposed of because they have been cut off from the operating cycle and for which it is difficult to measure the net selling price according to a reasonably estimated price, their carrying amount is written down in accordance with the holding period and demand trends.

2) Major assumptions

Demand related to aircraft materials has been rapidly declining due to the spread of the new coronavirus infection (COVID-19). For this reason, the valuation of such inventories is estimated based on the expected future sales, and the major assumption is the expected sales volume. The assumption of the expected sales volume takes into account the future prospects for the containment of the new coronavirus infection (COVID-19) and trends in aircraft-related demand.

3) Effect on the consolidated financial statements for the next consolidated fiscal year

We assume the expected sales volume on the presumption that the new coronavirus infection (COVID-19) will be contained in the next consolidated fiscal year and demand for aircraft will gradually recover. However, the timing of the containment of the new coronavirus infection (COVID-19) and the impact on demand trends are highly uncertain, and there is a risk that this will have a significant impact on the inventory valuation decisions in the next consolidated fiscal year.

(Accounting Standards etc. not yet applied)

1. Accounting standard, etc. for revenue recognition

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, March 31, 2020)

- "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No.30, March 26, 2021)

- "Implementation Guidance on Disclosure of Fair Value, etc. of Financial Instruments" (Accounting Standards Board of Japan Guidance No.19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition accounting standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB: IFRS 15, FASB: Topic 606). Considering that IFRS 15 will apply to fiscal years beginning on or after January 1, 2018, and Topic 606 will apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by adhering a basic policy in developing it. This basic policy was to first, incorporate the core principles of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; and second, add alternative treatments, to the extent that they do not impair comparability, where consideration should be given to conventional practices etc. in Japan.

(2) Scheduled date of application

The Accounting Standard and the Implementation Guidance mentioned above will be applied at the start of the fiscal year beginning on April 1, 2021.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the "Accounting Standard for Revenue Recognition", etc. on the consolidated financial statements is currently under evaluation.

2. Accounting standard, etc. for calculating fair value

- “Accounting Standard for Calculating Fair Value” (Accounting Standards Board of Japan Statement No.30, July 4, 2019)
- “Accounting Standard for Inventories” (Accounting Standards Board of Japan Statement No.9, July 4, 2019)
- “Accounting Standard for Financial Instruments”(Accounting Standards Board of Japan Statement No.10, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Calculating Fair Value” (Accounting Standards Board of Japan Guidance No.31, July 4, 2019)
- “Implementation Guidance on Disclosure of Fair Value, etc. of Financial Instruments” (Accounting Standards Board of Japan Guidance No.19, March 30, 2020)

(1) Overview

Considering that the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) established almost the same content of the detailed guidance (IFRS 13 “Fair Value Measurement” in International Financial Reporting Standards (IFRS) and Topic 820 “Fair Value Measurement” in Accounting Standards Codification in Generally Accepted Accounting Principles (US-GAAP)), Accounting Standards Board of Japan took measures to ensure consistency between the Japanese standards and international accounting standards and issued “Accounting Standard for Calculating Fair Value,” etc.

A basic policy for establishing the accounting standard for calculating fair value by Accounting Standards Board of Japan is said to basically incorporate all of the provisions of IFRS 13 from the perspective of facilitating comparability among financial statements of domestic and foreign companies by using a unified calculation method and to set forth other handling of each items with consideration for the practices that have been carried out in Japan up to now to the extent that they do not impair comparability.

(2) Scheduled date of application

The Accounting Standard and the Implementation Guidance mentioned above will be applied at the start of the fiscal year beginning on April 1, 2021.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the “Accounting Standard for Calculating Fair Value,” etc. on the consolidated financial statements is currently under evaluation.

(Changes in Presentation)

<Consolidated Statements of Income>

1. “Rent income”, which was separately stated within “Non-operating income” in the previous consolidated fiscal year, is presented as part of “Other” effective from the current consolidated fiscal year due to a fall in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year.
As a result, 115,153 thousand yen of “Rent income”, listed within “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”..
2. “Subsidy income”, which was presented as part of “Other” in “Non-operating income” in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of Non-operating income. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year.
As a result, 199,348 thousand yen of “Other”, listed within “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified into the combination of 14,189 thousand yen of “Subsidy income” and 300,312 thousand yen of “Other” (including a reclassification of 115,153 thousand yen from Rent income in 1).
3. “Provision of allowance for doubtful accounts”, which was separately stated within “Non-operating expenses” in the previous consolidated fiscal year, is presented as part of “Other” effective from the current consolidated

fiscal year due to a fall in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year. As a result, 97,760 thousand yen of “Provision of allowance for doubtful accounts”, listed within “Non-operating expenses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”.

4. “Loss on sales of investment securities”, which was presented as part of “Other” in “Extraordinary losses” in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of Extraordinary losses. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year. As a result, 26,828 thousand yen of “Other”, listed within “Extraordinary losses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified into the combination of 2,894 thousand yen of “Loss on sales of investment securities” and 23,934 thousand yen of “Other”.

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

“Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan Statement No.31, March 31, 2020) has been applied to the consolidated financial statements at the end of the current fiscal year, and notes on significant accounting estimates are described in the consolidated financial statements.

However, in the notes, the details related to the previous consolidated fiscal year are not described in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the said accounting standard.

(Notes Related to Consolidated Balance Sheets)

*1 Items related to non-consolidated subsidiaries and affiliated companies are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Investment securities (Stock)	362,552	318,210

*2 Assets subject to a security interest and secured liabilities

Assets subject to a security interest are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2020)		Current consolidated fiscal year (As of March 31, 2021)	
Cash and deposits	53,373	(---)	25,760	(---)
Buildings and structures	3,908,335	(2,979,833)	3,652,513	(2,757,742)
Machinery, equipment and vehicles	1,390,535	(1,176,164)	948,440	(831,156)
Property, plant and equipment (Other)	138,129	(97,484)	98,159	(57,451)
Land	558,408	(199,190)	558,408	(199,190)
Investments and other assets (Other)	14,560	(---)	20,976	(---)
Total	6,063,341	(4,452,67)	5,304,257	(3,845,541)

Secured liabilities are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2020)		Current consolidated fiscal year (As of March 31, 2021)	
Short-term loans payable	870,349	(---)	946,514	(---)
Current portion of long-term loans payable	187,669	(133,332)	182,724	(133,332)
Long-term loans payable	911,898	(813,890)	729,174	(680,558)
Total	1,969,916	(947,222)	1,858,412	(813,890)

The parenthesized figures represent factory foundation mortgages and the liabilities secured by such mortgages.

*3 The Submitting Company has executed a loan commitment agreement with one (1) correspondent bank and an overdraft agreement in effect with each of its five (5) partner banks to ensure efficient procurement of operating funds. The following is the balance of unexecuted loans under such overdraft agreements as of the end of the current and previous consolidated fiscal years.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Total amount of a loan commitment agreement	—	1,200,000
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	—	—
Balance of unexecuted loans	6,300,000	7,500,000

(Notes Related to Consolidated Statements of Income)

*1 Total amount of research and development expenses included in manufacturing costs for the current period and general and administrative expenses

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
2,074,050	1,905,553

*2 Closing inventories are stated in the amount after writing inventories down due to a decline in profitability, and the following loss on valuation of inventories or gain on reversal of loss on valuation of inventories (Δ) are included in the cost of sales.

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
195,328	Δ 150,707

*3 Details of gain on sales of non-current assets are as follows.

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)	
Machinery, equipment and vehicles	265	515

*4 The gain on sale of investment securities is due mainly to the sale of all shares of Polatechno Co., Ltd., which was the affiliate company.

*5 Impairment loss

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

Our Group recorded an impairment loss with respect to the following asset group(s) in the previous consolidated fiscal year.

Location	Usage	Type	Impairment loss (Thousands of yen)
Satosen Co., Ltd. (Osaka-shi, Osaka)	Electronic materials manufacturing facilities	Buildings and structures; machinery, equipment and vehicles; land; Construction in progress; etc.; Goodwill.	544,569
ColorLink Japan, Ltd. (Joetsu-shi, Niigata)	Display materials manufacturing facilities	Buildings and structures; machinery, equipment and vehicles; Construction in progress; etc.	106,689

Our Group conducts asset grouping grounded in its business segments and based primarily on product lines (each line representing a family of products), while each asset becomes the subject of asset grouping in the cases of assets for rent and idle assets, etc.

As for the electronic materials manufacturing facilities assets, due to the goodwill and business assets of Satosen Co., Ltd., which is a consolidated subsidiary of the Company, having been below the plan established at the time of the acquisition of the shares, the Company devalued the full amount of the unamortized balance of the goodwill and the carrying amount of the business assets to their recoverable amount because excess earning power cannot be expected as a result of our reviewing the future business plan, and 544,569 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 42,991 thousand yen of buildings and structures, 189,543 thousand yen of machinery, equipment and vehicles, 97,100 thousand yen of land, 12,659 thousand yen of construction in progress, 26,826 thousand yen of others and 175,447 thousand yen of goodwill.

The recoverable amount is measured according to the net selling price, while the value of each real-estate property is fixed at the value assessed by a licensed real-estate appraiser.

As for the display materials manufacturing facilities assets, due to the profit arising from operating activities continuing negative and having little potential for a future earnings recovery at Satosen Co., Ltd., which is a consolidated subsidiary of the Company, the Company devalued their carrying amount to its recoverable amount and 106,689 thousand yen was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 2,996 thousand yen of buildings and structures, 79,616 thousand yen of machinery, equipment and vehicles, 4,909 thousand yen of construction in progress and 19,167 thousand yen of others.

Note that a carrying amount is measured according to value in use, but it is assessed according to memorandum value because future cash flow is negative.

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

Our Group recorded an impairment loss with respect to the following asset group(s) in the current consolidated fiscal year.

Location	Usage	Type	Impairment loss (Thousands of yen)
Arisawa Mfg. Co., Ltd. (Joetsu-shi, Niigata)	Industrial Application Structural materials manufacturing facilities	machinery, equipment and vehicles; etc.	69,684

Our Group conducts asset grouping grounded in its business segments and based primarily on product lines (each line representing a family of products), while each asset becomes the subject of asset grouping in the cases of assets for rent and idle assets, etc.

. Of the Group's business assets, those asset groups whose profitability significantly declined due largely to a fall in the market price of the relevant products, etc. have been written down to the recoverable amount, and the aggregate amount of such write-downs, 69,684 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 60,177 thousand yen of machinery, equipment and vehicles, and 9,507 thousand yen of others.

Note that a carrying amount is measured according to value in use, but it is assessed according to memorandum value because future cash flow is negative.

(Notes Related to Consolidated Statements of Comprehensive Income)

*Reclassification adjustment and tax effects relating to other comprehensive income

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year	△762,472	1,617,700
Reclassification adjustment	336,337	△6,227
Before tax effects	△426,134	1,611,473
Tax effects	129,971	△491,383
Valuation difference on available-for-sale securities	△296,163	1,120,090
Deferred gains or losses on hedges:		
Amount arising in the current fiscal year	△1,975	△12,404
Reclassification adjustment	△668	1,975
Before tax effects	△2,643	△10,429
Tax effects	887	3,503
Deferred gains or losses on hedges	△1,755	△6,925
Foreign currency translation adjustment:		
Amount arising in the current fiscal year	△134,015	△42,333
Remeasurements of defined benefit plans, net of tax:		
Amount arising in the current fiscal year	△89,285	92,602
Reclassification adjustment	49,285	104,953
Before tax effects	△39,999	197,555
Tax effects	12,199	△60,254
Remeasurements of defined benefit plans, net of tax	△27,799	137,301
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising in the current fiscal year	△101,311	1,721
Total other comprehensive income	△561,044	1,209,853

(Notes Related to Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets)

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

1. Matters concerning class and number of shares issued and outstanding and of shares of treasury stock

	Number of shares at the beginning of the consolidated fiscal year	Increase in the number of shares during the consolidated fiscal year	Decrease in the number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Shares issued and outstanding				
Common stock (See Note 1)	36,226,224	155,300	—	36,381,524
Total	36,226,224	155,300	—	36,381,524
Treasury stock				
Common stock (See Note 2)	7,378	3,128,452	—	3,135,830
Total	7,378	3,128,452	—	3,135,830

Note: 1. The increase of 155,300 shares in the number of shares issued and outstanding (common stock) is due to an issuance of new shares through the exercise of stock acquisition rights.

2. The increase of 3,128,452 shares in the number of shares of treasury stock (common stock) is due to an increase of 3,128,300 shares resulting from the acquisition of treasury stocks by a resolution of the Board of Directors and an increase of 152 shares resulting from the purchase of shares constituting less than one full unit.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Category	Details of stock acquisition rights	Class of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights				Balance at the end of the consolidated fiscal year (Thousands of yen)
			At the beginning of the consolidated fiscal year	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	At the end of the consolidated fiscal year	
Submitting Company (Parent company)	Stock acquisition rights issued as stock options	---	---	---	---	---	166,148
Total		---	---	---	---	---	166,148

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 27, 2019	Common stock	1,086,565	30.00	March 31, 2019	June 28, 2019

Note: The dividend per share of 35 yen includes a special dividend of 11 yen.

(2) Dividends whose record date belongs to the current consolidated fiscal year but whose effective date belongs to the next consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 25, 2020	Common stock	997,370	Retained earnings	30.00	March 31, 2020	June 26, 2020

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

1. Matters concerning class and number of shares issued and outstanding and of shares of treasury stock

	Number of shares at the beginning of the consolidated fiscal year	Increase in the number of shares during the consolidated fiscal year	Decrease in the number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Shares issued and outstanding				
Common stock (See Note 1,2)	36,381,524	89,000	2,000,000	34,470,524
Total	36,381,524	89,000	2,000,000	34,470,524
Treasury stock				
Common stock (See Note 3,4)	3,135,830	359	2,000,000	1,136,189
Total	3,135,830	359	2,000,000	1,136,189

- Note: 1. The increase of 89,000 shares in the number of shares issued and outstanding (common stock) is due to an issuance of new shares through the exercise of stock acquisition rights.
2. The decrease of 2,000,000 shares in the number of shares issued and outstanding (common stock) is due to the retirement of treasury stock.
3. The increase of 359 shares in the number of shares of treasury stock (common stock) is due to a purchase of shares constituting less than one full unit.
4. The decrease of 2,000,000 shares in the number of shares of treasury stock (common stock) is due to the retirement of treasury stock.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

Category	Details of stock acquisition rights	Class of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights				Balance at the end of the consolidated fiscal year (Thousands of yen)
			At the beginning of the consolidated fiscal year	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	At the end of the consolidated fiscal year	
Submitting Company (Parent company)	Stock acquisition rights issued as stock options	---	---	---	---	---	183,970
Consolidated subsidiaries	Stock acquisition rights issued as stock options	---	---	---	---	---	9,992
Total		---	---	---	---	---	193,962

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 25, 2020	Common stock	997,370	30.00	March 31, 2020	June 26, 2020

(2) Dividends whose record date belongs to the current consolidated fiscal year but whose effective date belongs to the next consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 25, 2021	Common stock	1,300,039	Retained earnings	39.00	March 31, 2021	June 28, 2021

(Notes Related to Consolidated Statements of Cash Flows)

*1 The correlation between the balance of cash and cash equivalents at the end of the current and previous consolidated fiscal years and the amounts shown for the corresponding items on the relevant consolidated balance sheets

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Cash and deposits	14,714,069	13,215,508
Time deposits with a deposit term of more than three months	△625,000	△2,085,650
Securities (Money management fund)	636,915	358,429
Cash and cash equivalents	14,725,985	11,488,288

2 The details of material non-cash transactions

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

IFRS 16 has been applied to the overseas subsidiaries of our Group from the current consolidated fiscal year, and the amount shown as the assets and liabilities related to finance lease transactions at the beginning of the current consolidated fiscal year was 360,097 thousand yen.

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

No applicable matter.

(Notes Related to Lease Transactions)

(As lessee)

Finance lease transactions

1. Finance lease transactions that entail transfer of title

1) Details of lease assets

Property, plant and equipment

Boiler-related facilities mainly. (falling under “Machinery, equipment and vehicles” respectively)

2) Methods of depreciation and amortization of lease assets

As is stated in (Important Matters Underlying Preparation of Consolidated Financial Statements) - 4. Matters concerning accounting policies - (2) Methods of depreciation and amortization of important depreciable assets.

2. Finance lease transactions that do not entail transfer of title and the right-of-use assets at the IFRS 16-applied subsidiaries of our Group

1) Details of lease assets

Property, plant and equipment

Land and photovoltaic facility, mainly. (falling under “Machinery, equipment and vehicles” respectively)

2) Methods of depreciation and amortization of lease assets

As is stated in (Important Matters Underlying Preparation of Consolidated Financial Statements) - 4. Matters concerning accounting policies - (2) Methods of depreciation and amortization of important depreciable assets.

(Notes Related to Financial Instruments)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

Our Group obtains funds required in light of its financing plan and business plan (mainly through bank loans), and invest any temporary surplus funds in highly liquid financial instruments, and also obtains short-term operating funds through bank loans. Our Group makes use of derivative transactions in order to avoid the risks mentioned below and maintains a policy of eschewing speculative transactions.

(2) Description of financial instruments and risks associated with such financial instruments

Notes and accounts receivable, a type of operating receivables, are exposed to customer credit risk, and foreign currency operating receivables are also exposed to exchange rate fluctuation risk.

Securities and investment securities consist of those held primarily as pure investments and equity shares in the Company’s business partners and are exposed to market price fluctuation risk.

Notes and accounts payable, a type of operating payables, are mostly due in approximately four (4) months. The notes and accounts payable denominated in foreign currencies are exposed to exchange rate fluctuation risk.

Loans payable are primarily aimed at obtaining funds required for capital investment. They are fixed rate loans and liabilities and therefore are not exposed to interest rate fluctuation risk.

Derivative transactions conducted by our Group are restricted to forward exchange contracts with the purpose to hedge exchange fluctuation risk in respect of operating receivables denominated in foreign currency. To learn about hedging instruments and hedged items with respect to hedge accounting, hedging policy and method of assessing hedge effectiveness, etc., refer to "4. Matters concerning accounting policies (6) Accounting method of significant hedge transactions" in [Notes] (Important Matters Underlying Preparation of Consolidated Financial Statements) described above.

(3) Risk management system for financial instruments

1) Management of credit risk (Risks associated with default of contract by business partners, etc.)

As for notes and accounts receivable, the sales departments set a credit limit for each of the Company's regular customers, monitoring such customers' respective payment schedules, remaining credit lines and overall business conditions in an attempt to promptly recognize and reduce doubtful accounts.

As for securities and investment securities held for the purpose of fund management, higher-rated bonds are selected to minimize credit risk.

2) Management of market risk (Risks associated with fluctuations in foreign exchange rates and interest rates, etc.)

As for some foreign currency operating receivables and payables, forward exchange contracts may be employed to avoid exchange rate fluctuation risk.

As for securities and investment securities, the Company continually reviews the holding status in light of the relevant market conditions and business relations.

The execution and management of derivative transactions are conducted, pursuant to the management rules that specify transaction authority and transaction amount limits, by the department in charge with the approval of the person in charge of settlement.

3) Management of liquidity risk (Risk that payment cannot be made as and when due under contract) in financing activities

The Company has entered into an overdraft agreement with its partner banks to ensure expeditious financing and to minimize liquidity risk.

In financing activities, the Company prepares and updates a financial plan under its business plan and capital investment plan and maintains liquidity on hand, etc. in an attempt to minimize liquidity risk.

(4) Supplementary explanations on matters concerning fair value, etc. of financial instruments

The fair value of financial instruments is based on either the quoted market price, if available, or a reasonably estimated price where no market price is available. As variable factors are incorporated in the determination of the said reasonably estimated price, such price may vary depending on the choice among different assumptions, etc.

2. Matters concerning fair value, etc. of financial instruments

The amount shown on the consolidated balance sheets, the fair value and the difference between the former and the latter are as follows. Financial instruments whose fair value is deemed extremely difficult to reasonably determine are not included (See Note 2).

Previous consolidated fiscal year (As of March 31, 2020)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	14,714,069	14,714,069	—
(2) Notes and accounts receivable—trade	17,697,085	17,697,085	—
(3) Securities and investment securities	14,997,974	14,997,974	—
Total assets	47,409,129	47,409,129	—
(1) Notes and accounts payable—trade	6,916,079	6,916,079	—
(2) Short-term loans payable	4,866,202	4,866,202	—
(3) Income taxes payable	3,428,200	3,428,200	—
(4) Long-term loans payable (*1)	2,755,485	2,755,723	238
Total liabilities	17,965,967	17,966,206	238

(*1) The current portion of long-term loans payable is included.

Current consolidated fiscal year (As of March 31, 2021)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	13,215,508	13,215,508	—
(2) Notes and accounts receivable—trade	16,766,218	16,766,218	—
(3) Income taxes receivable	1,415,974	1,415,974	—
(4) Securities and investment securities	11,498,297	11,498,297	—
Total assets	42,895,998	42,895,998	—
(1) Notes and accounts payable—trade	6,657,426	6,657,426	—
(2) Short-term loans payable	3,606,087	3,606,087	—
(3) Income taxes payable	277,821	277,821	—
(4) Long-term loans payable (*1)	3,944,231	3,946,090	1,859
Total liabilities	14,485,566	14,487,426	1,859

(*1) The current portion of long-term loans payable is included.

Note: 1. Methods of calculating fair value of financial instruments and matters concerning securities

Assets

- (1) Cash and deposits, (2) Notes and accounts receivable—trade and (3) Income taxes receivable

As the fair value of these items approximates their respective book values due to their short maturities, they are recorded at the pertinent book value.

- (3) Securities and investment securities

The fair value of stock, etc. is based on the quoted price in an active market (e.g. a stock exchange), and the fair value of bonds is based on the said quoted price or the price presented by the relevant financial institutions, etc. For matters concerning securities with respect to each purpose of holding, refer to (Notes Related to Securities).

Liabilities

- (1) Notes and accounts payable—trade, (2) Short-term loans payable and (3) Income taxes payable

As the fair value of these items approximates their respective book values due to their short maturities, they are recorded at the pertinent book value.

- (4) Long-term loans payable

The fair value of these loans is calculated based on the present value obtained by discounting the sum

of the principal and the interest accruing thereon at the rate that should apply if a similar borrowing is newly made.

2. Financial instruments whose fair value is deemed extremely difficult to reasonably determine

(Thousands of

yen)

Category	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Unlisted stock, etc.	767,663	410,171

As these instruments have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in “(4) Securities and investment securities”.

3. Scheduled amount of redemption after the consolidated closing date of monetary receivables and securities with a maturity date

Previous consolidated fiscal year (As of March 31, 2020)

(Thousands of yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Deposits	14,706,430	—	—	—
Notes and accounts receivable—trade	17,697,085	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	108,830	—	—	—
(2) Corporate bonds	691,143	4,736,027	3,330,979	1,163,033
(3) Other	13,603	501,725	217,660	442,281
Total	33,217,092	5,237,752	3,548,639	1,605,315

Current consolidated fiscal year (As of March 31, 2021)

(Thousands of yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Deposits	13,209,933	—	—	—
Notes and accounts receivable—trade	16,766,218	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	—	—	—	—
(2) Corporate bonds	520,504	3,740,239	1,167,203	663,318
(3) Other	340,093	162,551	—	440,572
Total	30,836,749	3,902,790	1,167,203	1,103,891

4. Scheduled amount of repayment after the consolidated closing date of corporate bonds, long-term loans payable, lease obligations and other interest-bearing liabilities

Previous consolidated fiscal year (As of March 31, 2020)

(Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term loans payable	4,866,202	—	—	—	—	—
Long-term loans payable	187,669	182,724	1,566,226	307,422	237,836	273,606
Total	5,053,871	182,724	1,566,226	307,422	237,836	273,606

Current consolidated fiscal year (As of March 31, 2021)

(Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term loans payable	3,606,087	—	—	—	—	—
Long-term loans payable	182,724	1,346,017	702,802	633,500	514,349	564,836
Total	3,788,811	1,346,017	702,802	633,500	514,349	564,836

(Notes Related to Securities)

1. Available-for-sale securities

Previous consolidated fiscal year (As of March 31, 2020)

(Thousands of yen)

	Type	Amount shown on consolidated balance sheets	Acquisition cost	Difference
Those whose amount shown on consolidated balance sheets exceeds the acquisition cost	(1) Equity Shares	1,318,938	491,590	827,348
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	6,067,484	5,641,373	426,110
	3) Other	464,759	439,434	25,325
	(3) Other	—	—	—
	Subtotal	7,851,182	6,572,398	1,278,784
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	519,093	576,624	△57,530
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	109,004	124,237	△15,233
	2) Corporate bonds	4,487,652	4,922,242	△434,589
	3) Other	354,524	401,895	△47,370
	(3) Other	1,676,516	1,750,861	△74,345
	Subtotal	7,146,791	7,775,861	△629,069
Total		14,997,974	14,348,259	649,715

Note: As shares of unlisted stock, etc. (shown in the amount of 405,111 thousand yen on the consolidated balance sheets) have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in the table above.

Current consolidated fiscal year (As of March 31, 2021)

(Thousands of yen)

	Type	Amount shown on consolidated balance sheets	Acquisition cost	Difference
Those whose amount shown on consolidated balance sheets exceeds the acquisition cost	(1) Equity Shares	2,562,410	1,015,585	1,546,825
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	5,752,022	5,091,195	660,827
	3) Other	473,241	426,660	46,580
	(3) Other	904,829	849,338	55,491
	Subtotal	9,692,504	7,382,779	2,309,725
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	0	0	—
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	1,423,718	1,474,384	△50,666
	3) Other	—	—	—
	(3) Other	382,074	383,371	△1,297
	Subtotal	1,805,792	1,857,756	△51,963
Total		11,498,297	9,240,535	2,257,761

Note: As shares of unlisted stock, etc. (shown in the amount of 91,961 thousand yen on the consolidated balance sheets) have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in the table above.

2. Available-for-sale securities sold

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	70,229	32,474	—
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	1,228,836	54,574	117,474
3) Other	14,635	1,861	—
(3) Other	108,182	63	24,249
Total	1,421,883	88,973	141,724

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	412,530	243,437	115
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	4,211,027	96,763	304,566
3) Other	376,360	6,721	45,029
(3) Other	1,710,625	23,607	14,591
Total	6,710,543	370,530	364,303

3. Securities subject to impairment

An impairment of available-for-sale securities totalling 283,586 thousand yen and shares of subsidiaries 10,000 thousand yen was made in the previous consolidated fiscal year.

In this regard, an impairment of securities is made in full if the fair value at the end of the consolidated fiscal year is 50% or less of the acquisition cost, and in such amount as deemed necessary in view of the prospects for a price rebound, etc. if the fair value at the end of the consolidated fiscal year falls within the range of 30% to 50% of the acquisition cost.

(Notes Related to Derivative Transactions)

1. Derivative transaction not subject to hedge accounting

Previous consolidated fiscal year (As of March 31, 2020)

Statement is omitted as it is not material.

Current consolidated fiscal year (As of March 31, 2021)

Statement is omitted as it is not material.

2. Derivatives transactions subject to hedge accounting

Currency-related transactions

Previous consolidated fiscal year (As of March 31, 2020)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount (Thousands of yen)	Contract amount due after 1 year-period (Thousands of yen)	Fair value (Thousands of yen)
Deferral hedge accounting	Forward foreign exchange transactions Short open position U.S. dollar	Anticipated transactions in foreign currencies	407,631	—	△1,975
Designated hedge accounting for forward foreign exchange, etc.	Forward foreign exchange transactions Short open position U.S. dollar	Accounts receivable	42,186	—	(See Note 2)
Total			449,817	—	△1,975

Note: 1. The method of calculating the fair market value is based on the price presented by the counterparty financial institution.

2. Because it is calculated together with the accounts receivable considered as hedged item, the amount of fair value by designated hedge accounting for forward foreign exchange contracts, etc. is included in the fair value of such accounts receivable.

Current consolidated fiscal year (As of March 31, 2021)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount (Thousands of yen)	Contract amount due after 1 year-period (Thousands of yen)	Fair value (Thousands of yen)
Deferral hedge accounting	Forward foreign exchange transactions				
	Short open position U.S. dollar	Anticipated transactions in foreign currencies	329,818	—	△12,404
Total			329,818	—	△12,404

Note: The method of calculating the fair market value is based on the price presented by the counterparty financial institution.

(Notes Related to Retirement Benefits)

1. Outline of retirement benefit plans adopted by the Group

The Company and some of its consolidated subsidiaries adopt, as a defined benefit scheme, the defined benefit corporate pension plan and the retirement lump-sum distribution plan. The Submitting Company shifted to the defined benefit corporate pension plan from the qualifying retirement pension plan as of April 1, 2007. Some of the Company's domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System as a defined contribution scheme. Some of the Company's overseas consolidated subsidiaries adopt the defined contribution retirement allowance plan.

2. Defined benefit scheme (including plans employing the simplified method)

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Balance of retirement benefit obligations at the beginning of year	4,493,421	4,584,049
Service cost	279,087	277,353
Interest cost	13,374	13,642
Actuarial differences generated	△2,985	△11,393
Retirement benefits paid	△198,848	△134,544
Balance of retirement benefit obligations at the end of year	4,584,049	4,729,106

(2) Reconciliation between the beginning and ending balances of plan assets

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Balance of plan assets at the beginning of year	3,866,535	3,845,442
Expected return on plan assets	38,665	38,454
Actuarial differences generated	△92,271	81,208
Employer contributions	227,257	291,207
Retirement benefits paid	△194,744	△134,238
Balance of plan assets at the end of year	3,845,442	4,122,074

(3) Reconciliation between the ending balance of retirement benefit obligations and plan assets combined and the net defined benefit liability and net defined benefit asset shown on consolidated balance sheets

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Retirement benefit obligations under the funded plans	4,547,412	4,688,717
Plan assets	△3,845,442	△4,122,074
	701,969	566,642
Retirement benefit obligations under the unfunded plans	36,637	40,389
Net amount of liability and asset shown on consolidated balance sheets	738,606	607,032
Net defined benefit liability	738,606	607,032
Net amount of liability and asset shown on consolidated balance sheets	738,606	607,032

(4) Amount of retirement benefit expenses and components thereof

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Service cost	279,087	277,353
Interest cost	13,374	13,642
Expected return on plan assets	△38,665	△38,454
Recognized actuarial loss	49,285	104,953
Retirement benefit expenses incurred under defined benefit scheme	303,082	357,495

(5) Remeasurements of defined benefit plans, net of tax

Remeasurements of defined benefit plans, net of tax (before tax effects) consist of the following.

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Actuarial differences	△39,999	197,555

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effects) consist of the following.

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Unrecognized actuarial differences	△203,252	△5,696

Note: The figures stated above only cover the Company and its consolidated subsidiaries, while the amount shown as remeasurements of defined benefit plans for the previous consolidated fiscal year includes not only the figures stated above but also the unrecognized items attributable to the companies accounted for under the equity method (Amount corresponding to the Company's equity interest).

(7) Matters concerning plan assets

1) Rough breakdown of plan assets

The categorical distribution of the total plan assets held is as follows.

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Life insurance company general accounts	52%	51%
Trust bank special accounts	24%	25%
Life insurance company special accounts	24%	24%
Total	100%	100%

Note: Each account comprises a diverse range of investment asset classes centering on domestic bonds, in a reflection of the basic policy of securing stable returns.

2) Method of determining the expected long-term rate of return on plan assets

The current and expected future allocations of the plan assets as well as the current and anticipated long-term rates of return on the diverse range of asset classes comprising the plan assets are taken into account in determining the expected long-term rate of return on plan assets.

(8) Matters concerning actuarial assumptions

Major actuarial assumptions

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Discount rate	0.3%	0.3%
Expected long-term rate of return on plan assets	1.0%	1.0%
Expected rates of salary increase	1.0~2.8%	1.0~2.8%

3. Defined contribution scheme

The total amount required for contributions to the defined contribution plans of some of the Company's domestic consolidated subsidiaries and overseas consolidated subsidiaries was 77,281 thousand yen for the previous consolidated fiscal year (From April 1, 2019 to March 31, 2020) and 78,147 thousand yen for the current consolidated fiscal year (From April 1, 2020 to March 31, 2021).

(Notes Related to Stock Options, etc.)

1. Amount recorded as expenses and item of expenses associated with stock options

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Share-based compensation expenses in cost of sales and selling, general and administrative expenses	55,402	73,411

2. Amount recorded as income due to forfeiture by non-exercise of rights

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Gain on reversal of share acquisition rights	16,422	27,550

3. Outline and scale of stock options and changes

(1) Submitting Company

1) Outline of stock options

	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2016
Category and number of grantees	5 directors of the Company	176 employees and advisors of the Company, and 20 directors and employees of subsidiaries of the Company	5 directors of the Company
Number of stock options (See Note)	78,000 shares of common stock	241,400 shares of common stock	73,000 shares of common stock
Grant date	August 17, 2015	August 17, 2015	August 16, 2016
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 17, 2015 through June 30, 2017)	1 year and 11 months (August 17, 2015 through June 30, 2017)	1 year and 11 months (August 16, 2016 through June 30, 2018)
Exercise period	July 1, 2017 through June 30, 2020	July 1, 2017 through June 30, 2020	July 1, 2018 through June 30, 2021

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Category and number of grantees	187 employees and advisors of the Company, and 14 directors and employees of subsidiaries of the Company	5 directors of the Company	194 employees and advisors of the Company, and 10 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	234,000 shares of common stock	75,000 shares of common stock	235,300 shares of common stock
Grant date	August 16, 2016	August 16, 2017	August 16, 2017
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 16, 2016 through June 30, 2018)	1 year and 11 months (August 16 2017 through June 30, 2019)	1 year and 11 months (August 16, 2017 through June 30, 2019)
Exercise period	July 1, 2018 through June 30, 2021	July 1, 2019 through June 30, 2022	July 1, 2019 through June 30, 2022

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Directors' remuneration stock option in 2019
Category and number of grantees	5 directors of the Company	211 employees and advisors of the Company, and 11 directors and employees of subsidiaries of the Company	4 directors of the Company
Number of stock options (See Note)	75,000 shares of common stock	257,300 shares of common stock	55,000 shares of common stock
Grant date	August 16, 2018	August 16, 2018	August 16, 2019
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 16, 2018 through June 30, 2020)	1 year and 11 months (August 16, 2018 through June 30, 2020)	1 year and 11 months (August 16, 2019 through June 30, 2021)
Exercise period	July 1, 2020 through June 30, 2023	July 1, 2020 through June 30, 2023	July 1, 2021 through June 30, 2024

	Employees, etc. stock option in 2019	Directors' remuneration stock option in 2020	Employees, etc. stock option in 2020
Category and number of grantees	208 employees and advisors of the Company, and 14 directors and employees of subsidiaries of the Company	4 directors of the Company	147 employees and advisors of the Company, and 13 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	271,000 shares of common stock	55,000 shares of common stock	271,800 shares of common stock
Grant date	August 16, 2019	August 17, 2020	August 17, 2020
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company or a director or an employee of a subsidiary of the Company at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company or a director or an employee of a subsidiary of the Company at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 16, 2019 through June 30, 2021)	1 year and 11 months (August 17, 2020 through June 30, 2022)	1 year and 11 months (August 17, 2020 through June 30, 2022)
Exercise period	July 1, 2021 through June 30, 2024	July 1, 2022 through June 30, 2025	July 1, 2022 through June 30, 2025

Note: Stated in terms of shares of stock.

2) Scale of stock options granted and changes

Stock options that existed during the current consolidated fiscal year (fiscal year ended March 31, 2021) are covered, with the number of stock options stated in terms of shares of stock.

(a) Number of stock options

	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2016
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	39,200	114,600	38,000
Vested	—	—	—
Exercised	—	3,500	38,000
Forfeited	39,200	111,100	—
Exercisable	—	—	—

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	117,800	75,000	233,600
Vested	—	—	—
Exercised	45,000	—	2,500
Forfeited	3,000	—	5,000
Exercisable	69,800	75,000	226,100

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Directors' remuneration stock option in 2019
Before vested (Shares)			
At the end of the previous consolidated fiscal year	75,000	253,400	55,000
Granted	—	—	—
Forfeited	—	3,000	—
Vested	75,000	250,400	—
Outstanding	—	—	55,000
After vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Vested	75,000	250,400	—
Exercised	—	—	—
Forfeited	—	2,300	—
Exercisable	75,000	248,100	—

	Employees, etc. stock option in 2019	Directors' remuneration stock option in 2020	Employees, etc. stock option in 2020
Before vested (Shares)			
At the end of the previous consolidated fiscal year	271,000	—	—
Granted	—	55,000	271,800
Forfeited	5,000	—	1,500
Vested	—	—	—
Outstanding	266,000	55,000	270,300
After vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Exercisable	—	—	—

(b) Unit price information

	Directors' remuneration stock option in 2015	Employees, etc. stock option in 2015	Directors' remuneration stock option in 2016
Exercise price (Yen)	867	867	536
Average stock price at the time of exercise (Yen)	—	810	980
Fair value at the grant date (Yen)	168	168	98

	Employees, etc. stock option in 2016	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017
Exercise price (Yen)	536	1,004	1,004
Average stock price at the time of exercise (Yen)	955	—	1,087
Fair value at the grant date (Yen)	98	188	188

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Directors' remuneration stock option in 2019
Exercise price (Yen)	1,104	1,104	922
Average stock price at the time of exercise (Yen)	—	—	—
Fair value at the grant date (Yen)	168	168	168

	Employees, etc. stock option in 2019	Directors' remuneration stock option in 2020	Employees, etc. stock option in 2020
Exercise price (Yen)	922	890	890
Average stock price at the time of exercise (Yen)	—	—	—
Fair value at the grant date (Yen)	168	171	171

(2) Consolidated subsidiaries

1) Outline of stock options

	ThinFlex Corporation Employees, etc. stock option in 2020
Category and number of grantees	59 employees of the Company
Number of stock options (See Note)	2,400,000 shares of common stock
Grant date	March 31, 2020
Conditions for vesting	Continuous service from the date of grant (March 31, 2020) to the date of right allotment (March 30, 2022).
Requisite service period	March 31, 2020 through March 30, 2022
Exercise period	March 31, 2022 through March 30, 2026
Conditions for the exercise of stock acquisition rights	Ratio of stock option exercised during the period (cumulative) 50% at the end of 2 years of service 75% at the end of 3 years of service 100% at the end of 4 years of service

Note: Stated in terms of shares of stock.

2) Scale of stock options granted and changes

Stock options that existed during the current consolidated fiscal year (fiscal year ended March 31, 2021) are covered, with the number of stock options stated in terms of shares of stock.

(a) Number of stock options

	ThinFlex Corporation Employees, etc. stock option in 2020
Before vested (Shares)	
At the end of the previous consolidated fiscal year	—
Granted	2,400,000
Forfeited	—
Vested	—
Outstanding	2,400,000
After vested (Shares)	
At the end of the previous consolidated fiscal year	—
Vested	—
Exercised	—
Forfeited	—
Exercisable	—

(b) Unit price information

	ThinFlex Corporation Employees, etc. stock option in 2016
Exercise price (Yen)	20.50
Average stock price at the time of exercise (Yen)	—
Fair value at the grant date (Yen)	—

4. Method of estimating fair value of stock options

Method of estimating fair value of directors' remuneration stock option in 2020 and employees, etc. stock option in 2020 granted in the current consolidated fiscal year is as follows.

1) Valuation technique used Black-Scholes model

2) Principal parameters and method of estimation

	Directors' remuneration stock option in 2020	Employees, etc. stock option in 2020
Stock price volatility (See Note 1)	38.82%	38.82%
Expected life (See Note 2)	3 years and 6 months	3 years and 6 months
Expected dividends (See Note 3)	30.00 yen per share	30.00 yen per share
Risk-free interest rate (See Note 4)	0.00%	0.00%

Note: 1. Calculated based on the actual stock prices during the three (3) years and six (6) months from February 2017 to August 2020.

2. As reasonable estimates are difficult to make due to a lack of sufficient accumulation of data, the expected life is estimated on the presumption that the rights are exercised at the midpoint of the exercise period.

3. Based on the actual amount of dividends for the consolidated fiscal year ended March 31, 2020.

4. Japanese government bond yield for the period corresponding to the expected life.

5. Method of estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is basically difficult to reasonably estimate the number of stock options that will be forfeited in the future.

(Notes Related to Tax Effect Accounting)

1. Breakdown by major occurrence factor of deferred tax assets and deferred tax liabilities

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Deferred tax assets		
Impairment loss	491,994	447,077
Loss on valuation of investment securities	297,674	438,528
Tax loss carry-forward (See Note)	357,974	367,486
Retirement allowance	167,361	185,740
Loss on valuation of inventories	201,938	171,712
Allowance for doubtful accounts	224,413	166,679
Provision for bonuses	176,244	164,585
Other	534,347	322,626
Deferred tax assets subtotal	2,451,948	2,264,438
Valuation allowance related to Tax loss carry-forward (See Note)	△357,974	△356,355
Valuation allowance related to the total of deductible temporary differences etc.	△937,718	△1,214,042
Valuation allowance subtotal	△1,295,692	△1,570,398
Deferred tax assets total	1,156,256	694,039
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△207,105	△689,648
Retained earnings of subsidiaries and associates	△213,045	△286,290
Other	△111,775	△103,777
Deferred tax liabilities total	△531,926	△1,079,716
Net amount of deferred tax assets (liabilities)	624,329	△385,676

Note: Amount of Tax loss carry-forward and deferred tax assets thereof by maturity date of carryforward
 Previous consolidated fiscal year (As of March 31, 2020) (Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three year and within four years	Due after four year and within five years	Due after five years	Total
Tax loss carry-forward (※)	—	—	17,338	—	57,096	283,538	357,974
Valuation allowance	—	—	△17,338	—	△57,096	△283,538	△357,974
Deferred tax assets	—	—	—	—	—	—	—

(※) "Tax loss carry-forward" indicates the amount multiplied by Normal effective statutory tax rate.

Current consolidated fiscal year (As of March 31, 2021) (Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three year and within four years	Due after four year and within five years	Due after five years	Total
Tax loss carry-forward (※)	—	3,799	—	57,096	21,533	285,057	367,486
Valuation allowance	—	△3,799	—	△57,096	△21,533	△273,926	△356,355
Deferred tax assets	—	—	—	—	—	11,131	11,131

(※) "Tax loss carry-forward" indicates the amount multiplied by Normal effective statutory tax rate.

2. Breakdown by item of major causes of any significant difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting

	Previous consolidated fiscal year (As of March 31, 2020)	Current consolidated fiscal year (As of March 31, 2021)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Difference in tax rates with overseas subsidiaries	△2.8%	△3.9%
Items permanently excluded from taxable income	△3.1%	△2.3%
Valuation allowance	4.4%	△2.1%
Amendment for consolidation of loss (gain) on sales of shares of subsidiaries and associates	50.1%	—
Dividends income eliminated in consolidation	3.7%	2.2%
Retained earnings of subsidiaries and associates	1.2%	2.1%
Impairment loss of goodwill	1.7%	—
Other	0.1%	△0.4%
Effective income tax rate after tax effect accounting	85.8%	26.1%

(Business combination)

Transactions under common control, etc.

1. Summary of transaction

(1) Name and business description of the combined entity

Name of the combined entity: ThinFlex Corporation (a consolidated subsidiary of the Company)

Business description: Production and sales of materials for flexible printed circuit boards, etc.

(2) Date of business combination

Acquisition through a tender offer: January 26, 2021 (Deemed acquisition date: January 1, 2021)

(3) Legal form of business combination

Share acquisition in exchange for cash

(4) Company name after business combination

No change has been made.

(5) Other matters concerning summary of transaction

A tender offer was conducted under the laws of Taiwan from December 2020 to January 2021 in order to strengthen the Group's management structure and speed up decision-making,

2. Summary of accounting treatments implemented

It was treated as a transaction with non-controlling shareholders among transactions under common control, etc. based on "Accounting Standard for Business Combination" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures",

3. Matters listed in the case of additional acquisition of shares in subsidiaries

Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition Cash	4,324,082thousand yen
------------------------------------	-----------------------

Acquisition cost	4,324,082thousand yen
------------------	-----------------------

4. Matters concerning changes in the Company's interest in transactions with non-controlling shareholders

(1) Main reasons for changes in capital surplus

Acquisition of additional shares of a subsidiary

(2) Amount of capital surplus decreased due to transactions with non-controlling shareholders

2, 332, 233 thousand yen

(Notes Related to Asset Retirement Obligations)

Asset retirement obligations that are recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

These are restoration obligations, etc. in connection with real estate rental agreements for certain factories and offices.

(2) Method of calculating the amount of asset retirement obligations

An estimated useful life of thirty-one (31) years and a discount rate at 1.9% are used in calculating the amount of asset retirement obligations.

(3) Changes in the aggregate amount of asset retirement obligations

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Balance at the beginning of year	92,502	92,310
Adjustment due to lapse of time	168	171
Increase resulting from acquisition of a consolidated subsidiary	—	—
Other increase or decrease (Δ: decrease)	Δ360	Δ3,015
Balance at the end of year	92,310	89,466

(Notes Related to Real Properties for Rent, etc.)

Statement is omitted as the aggregate value of the real properties for rent, etc. is not material.

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

Reportable segments of the Company are those constituent units of the Company who make available separate financial information and also are subject to periodic review by the board of directors aimed at determining the distribution of management resources and evaluating business results.

The Company has manufacturing and sales systems in place for each category of product and service at its head office, etc. and conducts business activities based on the comprehensive strategies that the Company develops for the domestic and overseas markets as to its products and services.

The Company's business, therefore, consists of several segments that represent each category of product and service and are based on the said manufacturing and sales systems. Such segments are the four (4) reportable segments of the Company, i.e. "Electronic materials business", "Industrial application structural materials business", "Electrical insulating materials business" and "Display materials business".

"Electronic materials business" produces materials for flexible and rigid printed circuit boards, etc. "Industrial application structural materials business" produces filament winding molded products, honeycomb panels and prepregs for aircraft, pultrusion molded products and FRP ski sheets, etc. "Electrical insulating materials business" produces glass cloth, glass tapes and prepregs for electrical insulation, etc. "Display materials business" produces 3D display filters and special optical components, etc.

2. Method of calculating the amount of net sales, income or loss, assets, liabilities and other items with respect to each reportable segment

The accounting methods applied to the reported business segments are basically the same as those stated in the (Important Matters Underlying Preparation of Consolidated Financial Statements).

The amount of income or loss recorded for each reportable segment is based on the operating income or loss (before amortization of goodwill).

Inter-segment revenues and transfers are based on the prevailing market price.

3. Information on the amount of net sales, income or loss, assets, liabilities and other items with respect to each reportable segment

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	29,765,050	8,974,588	2,984,156	3,427,412	45,151,206	818,794	45,970,001
Inter-segment sales or transfers	—	—	—	—	—	796,455	796,455
Total	29,765,050	8,974,588	2,984,156	3,427,412	45,151,206	1,615,250	46,766,457
Segment income	2,331,392	1,475,260	366,888	235,241	4,408,782	222,173	4,630,955
Segment assets	28,747,464	9,329,352	3,185,554	3,062,923	44,325,294	1,309,738	45,635,032
Other							
Depreciation	1,449,803	180,468	84,873	142,537	1,857,683	21,168	1,878,851
Investment in companies accounted for under the equity method	—	—	—	217,982	217,982	—	217,982
Increase in property, plant and equipment and intangible assets	1,548,869	193,481	142,372	219,016	2,103,740	2,636	2,106,376

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Net sales							
Net sales to external customers	31,650,346	8,842,592	2,340,444	2,820,157	45,653,540	786,008	46,439,548
Inter-segment sales or transfers	—	—	—	—	—	836,354	836,354
Total	31,650,346	8,842,592	2,340,444	2,820,157	45,653,540	1,622,363	47,275,903
Segment income	2,981,124	939,199	192,241	221,311	4,333,877	243,688	4,577,566
Segment assets	30,226,999	8,632,419	2,746,374	3,197,787	44,803,580	1,280,605	46,084,186
Other							
Depreciation	1,491,153	255,026	88,710	115,033	1,949,923	21,680	1,971,604
Investment in companies accounted for under the equity method	—	—	—	173,640	173,640	—	173,640
Increase in property, plant and equipment and intangible assets	1,466,520	244,778	98,476	37,110	1,846,886	74,567	1,921,453

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

4. Difference between the total amount of reportable segments and the pertinent amount shown on the consolidated financial statements as well as the key components of such difference (Matters concerning difference adjustment)

(Thousands of yen)

Net sales	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	45,151,206	45,653,540
Net sales in the category "Other"	1,615,250	1,622,363
Elimination of inter-segment transactions	△796,455	△836,354
Net sales shown on the consolidated financial statements	45,970,001	46,439,548

(Thousands of yen)

Income	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	4,408,782	4,333,877
Income in the category "Other"	222,173	243,688
Elimination of inter-segment transactions	△92,405	3,666
Amortization of goodwill	△43,861	—
Unallocated corporate expenses (See Note)	△1,707,227	△1,440,791
Adjustment of inventories	△25,396	△21,954
Operating income shown on the consolidated financial statements	2,762,064	3,118,486

Note: "Unallocated corporate expenses" are mostly general and administrative expenses that are not attributable to any of the reportable segments.

(Thousands of yen)

Assets	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	44,325,294	44,803,580
Assets in the category "Other"	1,309,738	1,280,605
Elimination of claims to administrative departments of the head office	△673,953	△782,751
Unallocated corporate assets (See Note)	26,773,801	21,977,937
Adjustment of inventories	△25,396	△21,954
Total assets shown on the consolidated financial statements	71,709,484	67,257,417

Note: "Unallocated corporate assets" are mostly investment securities, etc. that are not attributable to any of the reportable segments.

(Thousands of yen)

Other item	Total of reportable segments		Other		Adjustment		Amount shown on the consolidated financial statements	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation	1,857,683	1,949,923	21,168	21,680	104,112	136,223	1,982,964	2,107,827
Increase in property, plant and equipment and intangible assets	2,103,740	1,846,886	2,636	74,567	167,555	298,926	2,273,932	2,220,379

Note: The adjustment to "Increase in property, plant and equipment and intangible assets" represents capital investment in the assets used for the common corporate purpose.

[Related Information]

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

1. Information by product and service

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Total
Net sales to external customers	29,765,050	8,974,588	2,984,156	3,427,412	818,794	45,970,001

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
19,588,099	13,572,138	12,809,763	45,970,001

Note: Net sales are categorized by country or region on the basis of customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Taiwan	Other country or region	Total
9,289,124	2,916,654	719,358	12,925,137

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Sumitomo Shoji Chemicals Co., Ltd.	5,381,162	Electronic materials business

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

1. Information by product and service

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Total
Net sales to external customers	31,650,346	8,842,592	2,340,444	2,820,157	786,008	46,439,548

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
19,419,125	15,474,946	11,545,477	46,439,548

Note: Net sales are categorized by country or region on the basis of customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Taiwan	Other country or region	Total
9,271,469	3,191,195	754,730	13,217,395

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Sumitomo Shoji Chemicals Co., Ltd.	4,986,141	Electronic materials business

[Information on impairment loss on non-current assets with respect to each reportable segment]

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	369,122	—	—	106,689	—	—	475,811
Impairment loss of goodwill	175,447	—	—	—	—	—	175,447

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	—	69,684	—	—	—	—	69,684
Impairment loss of goodwill	—	—	—	—	—	—	—

[Information on amortization of goodwill and unamortized balance with respect to each reportable segment]

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Amortization in the year	43,861	—	—	—	—	—	43,861
Balance at the end of year	—	—	—	—	—	—	—

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

No applicable matter.

[Information on gain on bargain purchase with respect to each reportable segment]

No applicable matter.

(Information on Related Parties)

1. Transactions with related parties

Transactions between the company submitting the consolidated financial statements and related parties

Directors and major shareholders (individuals only), etc. of the company submitting the consolidated financial statements

Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)

Type	Full name or corporate name	Location	Capital stock or investment in capital (Thousands of yen)	Business outline or occupation	Ratio of voting right holding (held), etc.	Relationship	Description of transaction	Amount of transaction (Thousands of yen)	Item	Balance at the end of year (Thousands of yen)
Director of the Company	Yuta Arisawa	—	—	Representative Director and Chief Executive Officer of the Company	0.24% directly held	—	Exercise of the right of stock option	11,964	—	—

Note: Terms of transactions and the policy for determining the terms of transactions, etc.

The table above covers the exercises in the previous consolidated fiscal year of the rights of stock option granted under a resolution at the Board of Directors' Meeting of the Company of June 26, 2015.

The column "Amount of transaction" indicates the amount obtained by multiplying the number of shares of stock granted through the exercise in the previous consolidated fiscal year of the pertinent right of stock option by the paid-in amount per share.

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

No applicable matter.

2. Notes with respect to parent or important affiliated companies

(1) Information on parent

No applicable matter.

(2) Condensed financial information on important affiliated companies

No applicable matter.

(Per Share Information)

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Net assets per share	1,387.76 yen	1,388.50 yen
Net income per share	6.14 yen	64.94 yen
Fully diluted net income per share	6.12 yen	64.84 yen

Note: The bases of calculation of net income per share and fully diluted net income per share are as follows.

	Previous consolidated fiscal year (From April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Net income per share		
Profit attributable to owners of the parent (Thousands of yen)	212,792	2,160,640
Amount not attributable to common stockholders (Thousands of yen)	---	---
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	212,792	2,160,640
Average number of shares of common stock during the year	34,682,121	33,271,733
Fully diluted net income per share		
Adjustment of profit attributable to owners of the parent (Thousands of yen)	---	---
Increase in the number of shares of common stock	103,772	52,798
(Number of shares subject to stock acquisition rights included in the figure above)	(103,772)	(52,798)
Outline of dilutive shares that were not included in the calculation of fully diluted net income per share due to a lack of dilutive effect	<p>Eight (8) types of stock acquisition rights:</p> <p>Resolution at the Board of Directors' Meeting of June 26, 2015 (39,200 shares);</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 26, 2015 (114,600 shares);</p> <p>Resolution at the Board of Directors' Meeting of June 28, 2017 (75,000 shares);</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 28, 2017 (233,600 shares);</p> <p>Resolution at the Board of Directors' Meeting of June 28, 2018 (75,000 shares);</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 28, 2018 (253,400 shares).</p> <p>Resolution at the Board of Directors' Meeting of June 27, 2019 (55,000 shares); and</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 27, 2019 (271,000 shares).</p> <p>For details, see IV. Status of the Submitting Company - 1. Status of Shares, etc. - (2) Status of Stock Acquisition Rights, etc.</p>	<p>Eight (8) types of stock acquisition rights:</p> <p>Resolution at the Board of Directors' Meeting of June 28, 2017 (75,000 shares);</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 28, 2017 (226,100 shares);</p> <p>Resolution at the Board of Directors' Meeting of June 28, 2018 (75,000 shares);</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 28, 2018 (248,100 shares);</p> <p>Resolution at the Board of Directors' Meeting of June 27, 2019 (55,000 shares);</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 27, 2019 (266,000 shares).</p> <p>Resolution at the Board of Directors' Meeting of June 25, 2020 (55,000 shares); and</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 25, 2020 (270,300 shares).</p> <p>For details, see IV. Status of the Submitting Company - 1. Status of Shares, etc. - (2) Status of Stock Acquisition Rights, etc.</p>

(Significant Subsequent Events)

No applicable matter.

(Consolidated Supplementary Schedules)

[Schedule of corporate bonds]

Company	Issue	Issue date	Balance at beginning of current period (Thousands of yen)	Balance at end of current period (Thousands of yen)	Interest rate (%)	Collateral	Maturity date
Satosen Co., Ltd.	First series unsecured bond (Private placement bond)	March 31, 2017	50,000 (20,000)	30,000 (20,000)	0.21	None	April 15, 2022
Satosen Co., Ltd.	Second series unsecured bond (Private placement bond)	April 28, 2017	78,000 (16,800)	61,200 (16,800)	0.25	None	May 24, 2024
Total	—	—	128,000 (36,800)	91,200 (36,800)	—	—	—

Note: 1. The parenthesized figures represent the outstanding balance of redemptions due within 1 year.

2. Redemption amounts within five years of the consolidated closing date are shown below.

Within one year (Thousands of yen)	1-2years (Thousands of yen)	2-3years (Thousands of yen)	3-4years (Thousands of yen)	4-5years (Thousands of yen)
36,800	26,800	16,800	10,800	—

[Schedule of loans payable, etc.]

Category	Balance at the beginning of current period (Thousands of yen)	Balance at the end of current period (Thousands of yen)	Average interest rate (%)	Repayment period
Short-term loans payable	4,866,202	3,606,087	0.75	---
Current portion of long-term loans payable	187,669	182,724	0.33	---
Current portion of lease obligations	60,138	87,885	5.46	---
Long-term loans payable (excluding the current portion)	2,567,816	3,761,507	0.86	2022 to 2030
Lease obligations (excluding the current portion)	391,672	487,985	4.17	2022 to 2038
Other interest-bearing liabilities Current portion of long-term accounts payable - other	99,170	50,805	1.62	---
Other interest-bearing liabilities Long-term accounts payable - other (excluding the current portion)	55,985	5,179	1.57	2022
Total	8,228,653	8,182,174	—	---

Note: 1. The column "Average interest rate" indicates the weighted average interest rate to the balance of loans payable, etc. at the end of the current period.

2. The scheduled amount of repayment of long-term loans payable (excluding the current portion) , lease obligations (excluding the current portion) and long-term accounts payable - other (excluding the current portion) over the five (5) years after the consolidated closing date is as follows.

(Thousands of yen)

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term loans payable	1,346,017	702,802	633,500	514,349
Lease obligations	76,840	87,738	87,552	60,286
Long-term accounts payable - other	5,179	—	—	—

[Schedule of asset retirement obligations]

As the amount of asset retirement obligations as of the beginning of the current consolidated fiscal year and as of the end of the current consolidated fiscal year is not more than one hundredth (1/100) of the aggregate amount of liabilities and net assets as of the beginning of the current consolidated fiscal year and as of the end of the current consolidated fiscal year respectively, statement has been omitted under the provisions of Article 92-2 of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(2) Other

Quarterly Information, etc. in the Current Consolidated Fiscal Year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Net sales (Thousands of yen)	10,597,738	22,203,695	34,606,706	46,439,548
Income before income taxes (Thousands of yen)	729,939	1,367,336	2,312,556	3,516,666
Profit attributable to owners of the parent (Thousands of yen)	428,636	853,665	1,380,302	2,160,640
Net income per share (Yen)	12.89	25.67	41.50	64.94

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	12.89	12.78	15.83	23.43

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousands of yen)

	Previous business year (As of March 31, 2020)		Current business year (As of March 31, 2021)	
Assets				
Current assets				
Cash and deposits		9,554,448		7,427,761
Notes receivable-trade	*2,	352,251	*2	283,622
Accounts receivable-trade	*2	9,754,950	*2	8,282,802
Electronically recorded monetary claims- operating		197,923		165,296
Securities		1,457,995		1,042,117
Merchandise and finished goods		2,051,510		2,606,227
Work in process		1,176,573		1,274,119
Raw materials and supplies		1,335,720		1,373,239
Prepaid expenses		67,823		70,834
Accrued income	*2	98,727	*2	44,921
Income taxes receivable		—		1,415,974
Short-term loans receivable from subsidiaries and associates		1,352,654		1,444,915
Other	*2	591,535	*2	238,897
Allowance for doubtful accounts		△509,459		△216,764
Total current assets		27,482,656		25,453,966
Non-current assets				
Property, plant and equipment				
Buildings	*1	3,698,498	*1	3,786,312
Structures	*1	322,974	*1	306,444
Machinery and equipment	*1	2,409,985	*1	2,204,894
Vehicles		21,335		22,027
Tools, furniture and fixtures	*1	214,155	*1	179,962
Land	*1	1,376,078	*1	1,376,078
Lease assets		107,740		249,081
Construction in progress		83,285		34,827
Total property, plant and equipment		8,234,053		8,159,629

(Thousands of yen)

	Previous business year (As of March 31, 2019)	Current business year (As of March 31, 2020)
Intangible assets		
Software	73,202	84,562
Other	9,755	9,631
Total intangible assets	82,958	94,194
Investments and other assets		
Investment securities	12,928,949	9,411,949
Shares of subsidiaries and associates	2,072,296	6,438,404
Long-term loans receivable	6,764	—
Long-term prepaid expenses	175,605	129,160
Deferred tax assets	523,583	—
Other	42,298	177,905
Allowance for doubtful accounts	△13,166	△5,607
Total investments and other assets	15,736,331	16,151,812
Total non-current assets	24,053,343	24,405,637
Total assets	51,535,999	49,859,604
Liabilities		
Current liabilities		
Notes payable-trade	*2 160,725	*2 181,723
Accounts payable-trade	*2 4,101,207	*2 3,881,685
Electronically recorded obligations-operating	*2 1,219,342	*2 1,160,458
Short-term loans payable	*1, *4 500,000	*1, *4 500,000
Current portion of long-term loans payable	*1 133,332	*1 133,332
Accounts payable-other	*2 679,359	*2 562,781
Accrued expenses	94,241	104,543
Income taxes payable	3,135,959	41,072
Unearned revenue	1,584	1,915
Lease obligations	19,637	51,125
Deposits received	27,740	26,603
Provision for bonuses	365,997	357,625
Other	197,581	239,488
Total current liabilities	10,636,709	7,242,357

(Thousands of yen)

	Previous business year (As of March 31, 2019)	Current business year (As of March 31, 2020)
Non-current liabilities		
Long-term loans payable	*1 813,890	*1 680,558
Provision for retirement benefits	498,716	560,946
Provision for loss on guarantees	451,058	295,458
Lease obligations	89,256	201,485
Asset retirement obligations	28,820	28,991
Deferred tax liabilities	—	288,314
Other	86,059	76,848
Total non-current liabilities	1,967,801	2,132,603
Total liabilities	12,604,511	9,374,960
Net assets		
Shareholders' equity		
Capital stock	7,594,026	7,623,638
Capital surplus		
Legal capital surplus	6,706,017	6,735,630
Total capital surplus	6,706,017	6,735,630
Retained earnings		
Legal retained earnings	748,262	748,262
Other retained earnings		
Reserve for advanced depreciation of non-current assets	17,066	15,850
General reserve	19,020,000	24,020,000
Retained earnings brought forward	7,413,243	768,016
Total retained earnings	27,198,572	25,552,129
Treasury stock	△3,204,797	△1,159,364
Total shareholders' equity	38,293,819	38,752,033
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	471,520	1,548,640
Total valuation and translation adjustments	471,520	1,548,640
Share acquisition rights	166,148	183,970
Total net assets	38,931,487	40,484,643
Total liabilities and net assets	51,535,999	49,859,604

2) Statements of Income

(Thousands of yen)

	Previous business year (From April 1, 2019 to March 31, 2020)		Current business year (From April 1, 2020 to March 31, 2021)	
Net sales	*1	31,635,474	*1	31,668,607
Cost of sales	*1	27,168,243	*1	27,854,265
Gross profit		4,467,230		3,814,342
Selling, general and administrative expenses	*1,*2	2,839,985	*1,*2	2,599,288
Operating income		1,627,245		1,215,053
Non-operating income				
Interest and dividends income	*1	782,379	*1	596,342
Rent income	*1	239,284	*1	219,586
Reversal of provision for loss on guarantees		—	*1	155,599
Other	*1	174,889	*1	189,329
Total non-operating income		1,196,552		1,160,858
Non-operating expenses				
Interest expenses	*1	7,917	*1	14,849
Commission for purchase of treasury shares		63,997		—
Loss on redemption of investment securities		138,830		50,675
Rent expenses		204,959		227,400
Provision of allowance for doubtful accounts		—	*1	145,848
Other		42,130		4,222
Total non-operating expenses		457,836		442,996
Ordinary income		2,365,961		1,932,915
Extraordinary income				
Gain on sales of investment securities		9,013,608		320,621
Other		20,339		27,699
Total extraordinary income		9,033,948		348,321
Extraordinary losses				
Loss on sales of investment securities		2,894		313,624
Loss on valuation of investment securities	*1	933,586		—
Impairment loss		—		69,684
Provision for loss on guarantees	*1	451,058		—
Provision of allowance for doubtful accounts	*1	60,000		—
Other		23,406		27,605
Total extraordinary losses		1,470,946		410,914
Income before income taxes		9,928,964		1,870,322
Income taxes-current		3,302,828		134,422
Income taxes-deferred		△166,737		339,204
Total income taxes		3,136,090		473,627
Net income		6,792,873		1,396,694

3) Statements of Changes in Shareholders' Equity and Other Net Assets
Previous business year (From April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	7,541,693	6,653,615	6,653,615	748,262	18,324	18,020,000	2,705,677	21,492,264
Changes of items during the period								
Issuance of new shares	52,333	52,402	52,402					
Reversal of reserve for advanced depreciation of non-current assets					△1,258		1,258	—
Dividends from surplus							△1,086,565	△1,086,565
Net income (loss)							6,792,873	6,792,873
Provision of general reserve						1,000,000	△1,000,000	—
Purchase of treasury shares								
Retirement of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during the period	52,333	52,402	52,402	—	△1,258	1,000,000	4,707,566	5,706,308
Balance at end of current period	7,594,026	6,706,017	6,706,017	748,262	17,066	19,020,000	7,413,243	27,198,572

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury stock	Total shareholder s' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	△4,764	35,682,808	744,588	744,588	144,419	36,571,816
Changes of items during the period						
Issuance of new shares		104,735				104,735
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends from surplus		△1,086,565				△1,086,565
Net income (loss)		6,792,873				6,792,873
Provision of general reserve		—				—
Purchase of treasury shares	△3,200,033	△3,200,033				△3,200,033
Retirement of treasury shares						
Net changes of items other than shareholders' equity			△273,067	△273,067	21,729	△251,338
Total changes of items during the period	△3,200,033	2,611,010	△273,067	△273,067	21,729	2,359,671
Balance at end of current period	△3,204,797	38,293,819	471,520	471,520	166,148	38,931,487

Current business year (From April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	7,594,026	6,706,017	6,706,017	748,262	17,066	19,020,000	7,413,243	27,198,572
Changes of items during the period								
Issuance of new shares	29,612	29,612	29,612					
Reversal of reserve for advanced depreciation of non-current assets					△1,215		1,215	—
Dividends from surplus							△997,370	△997,370
Net income (loss)							1,396,694	1,396,694
Provision of general reserve						5,000,000	△5,000,000	—
Purchase of treasury shares								
Retirement of treasury shares							△2,045,767	△2,045,767
Net changes of items other than shareholders' equity								
Total changes of items during the period	29,612	29,612	29,612	—	△1,215	5,000,000	△6,645,227	△1,646,443
Balance at end of current period	7,623,638	6,735,630	6,735,630	748,262	15,850	24,020,000	768,016	25,552,129

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	△3,204,797	38,293,819	471,520	471,520	166,148	38,931,487
Changes of items during the period						
Issuance of new shares		59,224				59,224
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends from surplus		△997,370				△997,370
Net income (loss)		1,396,694				1,396,694
Provision of general reserve		—				—
Purchase of treasury shares	△334	△334				△334
Retirement of treasury shares	2,045,767	—				—
Net changes of items other than shareholders' equity			1,077,119	1,077,119	17,821	1,094,941
Total changes of items during the period	2,045,433	458,213	1,077,119	1,077,119	17,821	1,553,155
Balance at end of current period	△1,159,364	38,752,033	1,548,640	1,548,640	183,970	40,484,643

[Notes]

(Important Accounting Policies)

1. Valuation standards and valuation methods for assets

(1) Valuation standards and valuation methods for securities

1) Equity stakes in subsidiaries and affiliated companies

Stated at average cost.

2) Available-for-sale securities

Securities with available fair market values:

Stated at fair market value based on the market price as of the closing date, etc. (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the average cost method.)

Securities with no available fair market value:

Stated at average cost.

(2) Derivative financial instruments

Stated fair value method

(3) Valuation standards and valuation methods for inventories

1) Merchandise, finished goods, semi-finished goods and work in process

The cost method on a first-in, first-out basis is adopted. (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.)

2) Raw materials and supplies

The cost method based on the periodic average method is adopted. (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.)

2. Methods of depreciation and amortization of non-current assets

(1) Property, plant and equipment (excluding lease assets)

The declining-balance method is adopted, except for the buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method.

The useful life mostly falls within the ranges shown below:

Buildings: fifteen (15) years to thirty-one (31) years

Machinery and equipment: eight (8) years to nine (9) years

(2) Intangible assets (excluding lease assets)

The straight-line method is adopted. Software used by the Company is amortized over an estimated in-house usable period. (Currently five (5) years)

(3) Lease assets

Lease assets related to finance lease transactions that entail transfer of title

Depreciation and amortization is based on the same method as applied to self-owned non-current assets.

Lease assets related to finance lease transactions that do not entail transfer of title

Depreciation and amortization is based on the straight-line method that takes the lease period as the useful life and sets the residual value at zero (0).

3. Standards for translating foreign currency assets and liabilities into Japanese currency

Foreign currency monetary assets and liabilities are translated into Japanese yen at the spot exchange rate as of the closing date, and the resulting translation differences are entered as income or loss, as the case may be.

4. Standards for recording allowances and provisions

(1) Allowance for doubtful accounts

As a reserve for potential loan losses, an estimated uncollectible amount is allocated based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectability in each instance in the case of some specific accounts receivable, e.g. doubtful receivables.

(2) Provision for bonuses

In preparation for the payment of bonuses to its employees, the Company allocates an expected aggregate amount of such payment.

(3) Provision for retirement benefits

As a reserve for the payment of retirement benefits to employees, an amount is appropriated on the basis of the estimated amounts of retirement benefit obligations and plan assets as of the end of the current business year.

1) Method of inter-period attribution of expected retirement benefits

In calculating retirement benefit obligations, the benefit formula is employed as the method of attributing the estimated amount of each employee's retirement benefits to his or her service period up to the end of the current business year.

2) Method of recognizing actuarial differences as expenses

Actuarial differences are recognized as expenses, effective from the business year immediately following the year of occurrence of each such difference, in an amount prorated using the straight-line method over a certain number of years (Currently five (5) years) within the average remaining service period of the employees at the time of occurrence of the said difference in each business year.

(4) Provision for loss on guarantees

In order to prepare for loss on guarantees, etc., the estimated amount of losses is shown, taking into account the financial conditions, etc. of guaranteed parties.

5. Accounting method of significant hedge transactions

(1) Method of hedge accounting

The Company adopts the deferred hedge accounting. With respect to the forward exchange contracts that meet the requirements of hedge accounting, we adopt the designated hedge accounting.

(2) Hedging instruments and hedged items

Hedging instruments : Forward exchange contracts

Hedged items : Monetary claims denominated in foreign currencies, Anticipated transactions in foreign currencies

(3) Hedging policy

Forward foreign exchange transactions are conducted within the scope of actual demand for the purpose of deterring risks involved in transactions denominated in foreign currencies from the fluctuations in the foreign exchange market. These transactions will never be entered for speculative purpose.

(4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of hedging based on the ratio of changes that is calculated by comparing the cumulative total of the market fluctuations of hedged items with that of hedging instruments. However, when the forward foreign exchange transactions are by designated hedge accounting, such assessment of effectiveness is omitted.

6. Other important matters underlying preparation of financial statements

(1) Accounting methods concerning retirement benefits

The method of accounting for an unappropriated portion of unrecognized actuarial differences concerning retirement benefits is different from the method of accounting applied to the same in the case of the consolidated financial statements.

(2) Accounting methods concerning consumption tax, etc.

The consumption tax, etc. are accounted for using the tax exclusion method.

(3) Accounting methods concerning deferred assets

Stock delivery expenses are fully charged to expenses when they are paid.

(Significant Accounting Estimates)

1. Valuation of Inventories

(1) Amount recorded in the financial statements for the current business year

Loss on valuation of inventory and inventory at the end of period related to aircraft materials are as follows:

Loss on valuation of inventory 15,419 thousand yen, Merchandise and finished goods 324,702 thousand yen,

Work in process 157,010 thousand yen

(2) Other information that contributes to the understanding of users of financial statements

1) Calculation method

With regard to inventories that are slow-moving or to be disposed of because they have been cut off from the operating cycle and for which it is difficult to measure the net selling price according to a reasonably

estimated price, their carrying amount is written down in accordance with the holding period and demand trends.

2) Major assumptions

Demand related to aircraft materials has been rapidly declining due to the spread of the new coronavirus infection (COVID-19). For this reason, the valuation of such inventories is estimated based on the expected future sales, and the major assumption is the expected sales volume. The assumption of the expected sales volume takes into account the future prospects for the containment of the new coronavirus infection (COVID-19) and trends in aircraft-related demand.

3) Effect on the financial statements for the next business year

We assume the expected sales volume on the presumption that the new coronavirus infection (COVID-19) will be contained in the next business year and demand for aircraft will gradually recover. However, the timing of the containment of the new coronavirus infection (COVID-19) and the impact on demand trends are highly uncertain, and there is a risk that this will have a significant impact on the inventory valuation decisions in the next business year.

(Changes in Presentation)

<Statements of Income>

1. “Gain on sales of non-current assets”, which was separately stated within “Extraordinary income” in the previous business year, is presented as part of “Other” in “Extraordinary income” effective from the current business year due to a fall in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 3,917 thousand yen of “Gain on sales of non-current assets”, listed within “Extraordinary income” in the statements of income for the previous business year, has been reclassified as part of “Other” listed within “Extraordinary income” in the statements of income for the previous business year, has been reclassified into the combination of 800 thousand yen of “Gain on sales of non-current assets” and 15,109 thousand yen of “Other”.
2. “Loss on sales of investment securities”, which was presented as part of “Other” in “Extraordinary losses” in the previous business year, is separately stated effective from the current business year due to a rise in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 26,300 thousand yen of “Other”, listed within “Extraordinary losses” in the statements of income for the previous business year, has been reclassified into the combination of 2,894 thousand yen of “Loss on sales of investment securities” and 23,406 thousand yen of “Other”.

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

“Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan Statement No.31, March 31, 2020) has been applied to the financial statements at the end of the current business year, and notes on significant accounting estimates are described in the financial statements.

However, in the notes, the details related to the previous business year are not described in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the said accounting standard.

(Notes Related to Balance Sheets)

- *1 Assets subject to a security interest and secured liabilities corresponding thereto
Assets subject to a security interest

	(Thousands of yen)			
	Previous business year (As of March 31, 2020)		Current business year (As of March 31, 2021)	
Buildings	2,741,807	(2,741,807)	2,548,529	(2,548,529)
Structures	238,025	(238,025)	209,212	(209,212)
Machinery and equipment	1,176,164	(1,176,164)	831,156	(831,156)
Tools, furniture and fixtures	97,484	(97,484)	57,451	(57,451)
Land	266,508	(199,190)	266,508	(199,190)
Total	4,519,990	(4,452,673)	3,912,858	(3,845,541)

	(Thousands of yen)			
	Previous business year (As of March 31, 2020)		Current business year (As of March 31, 2021)	
Secured liabilities				
Current portion of long-term loans payable	133,332	(133,332)	133,332	(133,332)
Long-term loans payable	813,890	(813,890)	680,558	(680,558)
Total	947,222	(947,222)	813,890	(813,890)

The parenthesized figures represent factory foundation mortgages and the liabilities secured by such mortgages.

*2 Monetary receivables and payables outstanding with associated companies (excluding those separately stated)

(Thousands of yen)

	Previous business year (As of March 31, 2020)	Current business year (As of March 31, 2021)
Short-term monetary receivables	749,940	817,213
Short-term monetary payables	1,159,101	1,027,066

*3 Guarantee liabilities

Accounts borrowed from financial institutions of associated companies and Guarantee liabilities for performance guarantee

(Thousands of yen)

	Previous business year (As of March 31, 2020)	Current business year (As of March 31, 2021)
Satosan Co., Ltd. (Loan guarantee)	648,941	742,069
Protec Arisawa Europe, S.A. (Product warranty)	14,162	—
Protec Arisawa America, Inc. (Product warranty)	35,277	11,178

*4 The Company has executed a loan commitment agreement with one (1) correspondent bank and an overdraft agreement in effect with each of its five (5) partner banks to ensure efficient procurement of operating funds. The following is the balance of unexecuted loans under such overdraft agreements as of the end of the current and previous business years.

(Thousands of yen)

	Previous business year (As of March 31, 2019)	Current business year (As of March 31, 2020)
Total amount of a loan commitment agreement	—	1,200,000
Aggregate overdraft limit	6,300,000	6,300,000
Drawdowns	—	—
Balance of unexecuted loans	6,300,000	7,500,000

(Notes Related to Statements of Income)

*1 Volume of transactions with associated companies	(Thousands of yen)	
	Previous business year (From April 1, 2019 to March 31, 2020)	Current business year (From April 1, 2020 to March 31, 2021)
Gross operating transaction volume		
Net sales	2,554,293	2,437,195
Value of goods laid in	4,174,155	4,048,297
Gross non-operating transaction volume	1,719,259	456,723

*2 Approximately 46% of the amount of selling, general and administrative expenses recorded for the previous business year falls under selling expenses, while the remaining 48% falls under general and administrative expenses. Approximately 54% of the amount of selling, general and administrative expenses recorded for the current business year falls under selling expenses, while the remaining 52% falls under general and administrative expenses. The major items of selling, general and administrative expenses and their respective amounts are as follows.

	(Thousands of yen)	
	Previous business year (From April 1, 2019 to March 31, 2020)	Current business year (From April 1, 2020 to March 31, 2021)
Salaries and allowances	645,359	616,355
Provision for bonuses	82,642	75,065
Retirement benefit expenses	63,358	73,213
Freightage and packing expenses	745,435	717,769
Depreciation	70,969	81,669
Other	1,232,219	1,035,216

(Notes Related to Securities)

Equity stakes in subsidiaries and affiliated companies

Previous business year (As of March 31, 2020) (Thousands of yen)

Category	Amount shown on balance sheets	Fair value	Difference
Equity stakes in subsidiaries	1,116,334	3,884,328	2,767,994

Current business year (As of March 31, 2021) (Thousands of yen)

Category	Amount shown on balance sheets	Fair value	Difference
Equity stakes in subsidiaries	5,482,441	13,164,426	7,681,985

Note: Amount shown on the balance sheets for the equity stakes in subsidiaries and affiliated companies whose fair value is deemed extremely difficult to reasonably determine (Thousands of yen)

Category	Previous business year (As of March 31, 2020)	Current business year (As of March 31, 2021)
Equity stakes in subsidiaries	735,582	735,582
Equity stakes in affiliated companies	220,380	220,380

As these equity stakes have no quoted market price, and it is deemed extremely difficult to reasonably determine their respective fair values, they are not included in the tables entitled "Equity stakes in subsidiaries and affiliated companies" shown before.

(Notes Related to Tax Effect Accounting)

1. Breakdown by major occurrence factor of deferred tax assets and deferred tax liabilities

(Thousands of yen)

	Previous business year (As of March 31, 2020)	Current business year (As of March 31, 2021)
Deferred tax assets		
Loss on valuation of investment securities	422,296	396,165
Impairment loss	329,930	317,774
Provision for retirement benefits	152,108	171,088
Provision for bonuses	111,629	109,075
Provision for loss on guarantees	137,572	90,114
Allowance for doubtful accounts Provision for bonuses	160,989	67,823
Other	407,662	219,982
Deferred tax assets subtotal	1,722,189	1,372,024
Valuation allowance	△982,532	△941,834
Deferred tax assets total	739,656	430,190
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△206,926	△679,619
Other	△9,147	△38,885
Deferred tax liabilities total	△216,073	△718,504
Net amount of deferred tax liabilities	523,583	△288,314

2. Breakdown by item of major causes of any difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting

	Previous business year (As of March 31, 2020)	Current business year (As of March 31, 2021)
Normal effective statutory tax rate		30.5%
(Adjustments)		
Items permanently excluded from taxable income	Notes are omitted as the difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting is less than five hundredths (5/100) of the normal effective statutory tax rate	△4.2%
Valuation allowance		△2.2%
Other		1.2%
Effective income tax rate after tax effect accounting		25.3%

(Significant Subsequent Events)

No applicable matter.

(Supplementary Schedules)

[Schedule of property, plant and equipment, etc.]

(Thousands of yen)

Category	Type of assets	Balance at the beginning of current period	Amount of increase in current period	Amount of decrease in current period	Amount of depreciation or amortization in current period	Balance at the end of current period	Accumulated depreciation or accumulated amortization
Property, plant and equipment	Buildings	3,698,498	366,352	5,632	272,905	3,786,312	11,081,414
	Structures	322,974	22,394	—	38,925	306,444	1,205,983
	Machinery and equipment	2,409,985	594,521	59,402 (58,662)	740,209	2,204,894	21,287,582
	Vehicles	21,335	16,754	1,514 (1,514)	14,547	22,027	185,497
	Tools, furniture and fixtures	214,155	79,853	9,518 (9,507)	104,528	179,962	1,471,120
	Land	1,376,078	—	—	—	1,376,078	—
	Lease assets	107,740	171,175	—	29,834	249,081	41,418
	Construction in progress	83,285	1,379,369	1,427,826	—	34,827	—
	Total property, plant and equipment	8,234,053	2,630,420	1,503,894 (69,684)	1,200,949	8,159,629	35,273,017
Intangible assets	Software	73,202	34,781	—	23,420	84,562	—
	Other	9,755	—	—	123	9,631	—
	Total intangible assets	82,958	34,781	—	23,544	94,194	—

Note: 1. Key components of the increase in the current period are as follows.

(Thousands of yen)

Buildings	Electronic materials manufacturing facilities	224,741
	Other facilities	65,048
	Industrial application structural materials manufacturing facilities	33,066
Machinery and equipment	Electronic materials manufacturing facilities	421,157
	Industrial application structural materials manufacturing facilities	108,471
	Electrical insulating materials manufacturing facilities	56,402
Construction in progress	Electronic materials manufacturing facilities	981,772
	Electrical insulating materials manufacturing facilities	113,632
	Industrial application structural materials manufacturing facilities	113,489

2. Key components of the decrease in the current period are as follows.

(Thousands of yen)

Construction in progress	Transfer to the main account	1,251,051
--------------------------	------------------------------	-----------

3. The amount in parentheses in the “Amount of decrease in current period” column is the amount of impairment loss.

[Schedule of allowances and provisions]

(Thousands of yen)

Item	Balance at the beginning of current period	Amount of increase in current period	Amount of decrease in current period	Balance at the end of current period
Allowance for doubtful accounts	522,625	221,011	521,265	222,371
Provision for bonuses	365,997	357,625	365,997	357,625
Provision for loss on guarantees	451,058	—	155,599	295,458

(2) Details of Major Assets and Liabilities

Statement is omitted as the relevant information is stated in the consolidated financial statements.

(3) Other

No applicable matter.

VI. Outline of Share Handling of the Submitting Company

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	To be held in June
Record date	March 31
Record dates of distribution of dividends from surplus	September 30 and March 31
Number of shares per unit	100 shares
Purchase of shares constituting less than one full unit	
Handling place	(Special account) Stock Transfer Agency Dept., Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu-shi, Tokyo
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	---
Purchase fees	The amount obtained by prorating the consignment fee per unit (prescribed by Tokyo Stock Exchange) according to the number of shares constituting less than one full unit purchased
Method of giving public notice	Public notices of the Company shall be given by electronic means; provided, however, that if an electronic public notice cannot be provided due to an accident or any other unavoidable reason, the Company shall publish its public notice in the Nikkei newspaper. Electronic public notices URL: http://www.arisawa.co.jp/japanese/koukoku.html
Privileges of shareholders	None

Note: Pursuant to the provisions of the Articles of Incorporation of the Company, the shareholders of the Company's shares constituting less than one full unit may not exercise any rights other than: (i) the rights set forth in each item of Article 189, paragraph 2 of the Companies Act; (ii) the right to make requests under the provisions of Article 166, paragraph 1 of the Companies Act; and (iii) the right to receive allotment of the shares offered and allotment of the stock acquisition rights offered in proportion to the number of shares held by each such shareholder.

VII. Reference Information on the Submitting Company

1. Information on Parent Company, etc. of Submitting Company

The Company has no parent company, etc. provided for in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents between the commencement date of the current business year and the date of submission of the Financial Report.

(1) Quarterly Report and Confirmation Letter

(The First Quarter of the 73rd Term) (From April 1, 2020 to June 30, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 12, 2020.

(The Second Quarter of the 73rd Term) (From July 1, 2020 to September 30, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2020.

(The Third Quarter of the 73rd Term) (From October 1, 2020 to December 31, 2020)

Submitted to the Director-General of the Kanto Local Finance Bureau on February 12, 2021.

(2) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2020.

This is an Extraordinary Report under the provisions of Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. (Results of exercise of voting rights at the general meeting of shareholders) .

(3) Amendment Report of the Financial Report and Confirmation Letter

Business year from April 1, 2019 to March 31, 2020 (The 72nd Term)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 31, 2020.

(4) Amendment Report of Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on October 1, 2020.

This is an Amendment Report of Extraordinary Report related to the Extraordinary Report submitted on June 30, 2020 (Results of exercise of voting rights at the general meeting of shareholders).

**PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE
SUBMITTING COMPANY**

No applicable matter.

Independent Auditors' Report
concerning consolidated financial statements and internal control report

June 25, 2021

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Akira Igarashi [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Eishi Daikoku [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

<Audit of Financial Statements>

Audit Opinion

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated fiscal year from April 1, 2020 to March 31, 2021, consisting of the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and other net assets, consolidated statements of cash flows, important matters underlying preparation of consolidated financial statements, other notes and consolidated supplementary schedules.

In our opinion, the above consolidated financial statements fairly present, in all material respects, the financial conditions of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2021 as well as the results of their operations and their status of cash flows for the consolidated fiscal year ended March 31, 2021 in accordance with the corporate accounting standards generally accepted in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibility in the auditing standards is stated in "The Responsibility of Auditors in the Consolidated Financial Statements Audit." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that the auditor, as a professional expert, considers to be particularly important in the audit of the consolidated financial statements for the current consolidated fiscal year. Those are matters that were addressed in the course of performing the audit of the consolidated financial statements as a whole and in forming the audit opinion thereon, and we do not express specific opinions on these matters.

Valuation for Inventories	
Details of Key Audit Matters and Reasons for Decisions	Audit Response
<p>As stated in the Notes (Significant Accounting Estimates), there was a sharp decline in demand for aircraft materials due to the spread of the new coronavirus infection (COVID-19), and a valuation loss of 15,419 thousand yen is recorded for the relevant inventories (324,702 thousand yen for merchandise and finished goods, and 157,010 thousand yen for work in process). The valuation of these inventories is estimated based on the expected future sales, and the major assumption is the expected sales volume. The assumption for the expected sales volume takes into account the future prospects for the containment of the new coronavirus infection (COVID-19) and trends in aircraft-related demand.</p> <p>In estimating the valuation of inventories, we assume the expected sales volume on the presumption that the new coronavirus infection (COVID-19) will be contained in the next consolidated fiscal year and demand for aircraft will gradually recover. However, the key assumptions that take into account the timing of this containment and the impact on demand trends entail uncertainty and require management's judgment. Therefore, we have determined that these matters constitute key audit matters.</p>	<p>We principally performed the following audit procedures in considering the valuation of inventories.</p> <ul style="list-style-type: none"> - We obtained information on confirmed orders and expected orders after the end of the fiscal year and compared them with the expected sales volume in order to examine the situation after the end of the fiscal year with regard to the expected sales volume. - We compared and analyzed the actual sales volume in the past with the expected sales volume in order to examine the fact that the expected sales volume is based on the actual sales volume in the past. - Information on aircraft-related orders was consulted in order to examine the timing of corona containment and demand trends taken into account in the key assumptions. - The auditor made assumptions about the expected sales volume and compared it to the company's inventory valuation in order to examine whether the estimates made for valuation of inventories take into account uncertainties.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the corporate accounting standards generally accepted in Japan. This includes improvement and operation of such internal control as the management deems necessary for the preparation and fair presentation of consolidated financial statements free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption and disclosing the items regarding the going concern assumption in accordance with the corporate accounting standards generally accepted in Japan if such items are required to be disclosed.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor the execution of Directors' duties in the improvement and operation of the financial reporting process.

Responsibility of Auditors in the Consolidated Financial Statements Audit

Responsibility of auditors is to express an opinion on the consolidated financial statements from an independent standpoint in the auditors' report based on our audit by obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error. Material misstatement is judged to be material if it is likely to occur due to fraud or error and, individually or in aggregation, is reasonably expected to have an impact on decisions made by users of the consolidated financial statements.

Auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards generally accepted in Japan.

- We identify and assess a risk of material misstatement due to fraud or error. We also design and conduct the audit procedures that address the risk of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. In addition, we obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- In making such risk assessments, the auditors review internal controls relevant to the audits in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of the consolidated financial statements to express an opinion on the effectiveness of the entity's internal control.
- We evaluate the accounting policies adopted by the management and appropriateness of their methods of application as well as reasonableness of the accounting estimates made by the management and validity of related notes.
- We conclude whether it is appropriate for the management to prepare the consolidated financial statements with the going concern assumption and, based on the obtained audit evidence, whether a material uncertainty regarding events or conditions

that may cast significant doubt on the going concern assumption exists. If a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the consolidated financial statements in the auditors' report, or if the notes regarding a material uncertainty in the consolidated financial statements are inappropriate, it is required to express an opinion with exceptive items to the consolidated financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the audit report, but a company may not be able to exist as the going concern depending on future events or conditions.

- We evaluate not only whether the presentation and notes of the consolidated financial statements are in accordance with generally accepted accounting principles but also whether the presentation, structure, and contents of the consolidated financial statements including related notes as well as the consolidated financial statements properly present underlying transactions and accounting events.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion about the consolidated financial statements. The auditors are responsible for instruction, supervision, and execution of audits regarding the consolidated financial statements. The auditors assume responsibility for an audit opinion all by themselves.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned audit and its timing of conduct, material audit findings including material weaknesses of internal control identified in the audit process, and other matters required by the auditing standards.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

Among the matters discussed with Corporate Auditors and Board of Corporate Auditors, Corporate Auditors shall determine matters that are considered to be particularly significant in the audit of the consolidated financial statements for the current consolidated fiscal year as key audit matters and state them in the auditor's report. However, if publication of such matters is prohibited by laws and regulations, or if the auditor judges that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest, albeit in an extremely limited manner, such matters shall not be included in the auditor's report.

<Audit of Internal Control>

Audit Opinion

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report as of March 31, 2021 of Arisawa Mfg. Co., Ltd.

In our opinion, the above internal control report, in which Arisawa Mfg. Co., Ltd. represents that its internal control over financial reporting is effective as of March 31, 2021, fairly presents, in all material respects, the evaluation results of its internal control over financial reporting in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

Basis for the Audit Opinion

We conducted an internal control audit in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility in the auditing standards for internal control over financial reporting is stated in "Responsibility of the Auditors in Internal Control." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors for the Internal Control Report

Management is responsible for the improvement and operation of internal control over financial reporting as well as the preparation and fair presentation of the internal control report in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor and verify the status of improvement and operation of the internal control system for financial reporting.

In this regard, there is a possibility that internal control over financial reporting cannot completely prevent or detect false statements in financial reporting.

Responsibility of Auditors in Internal Control Audit

Our responsibility is to express an opinion on the internal control report from an independent standpoint by obtaining reasonable assurance about material misstatement in the internal control report based on our internal control audit.

The auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan.

- We conduct audit procedures to obtain audit evidence about the results of evaluating internal control over financial reporting stated in the internal control report. Audit procedures for an internal control audit are selected and applied at our own judgment, based on the gravity of the impact on the credibility of financial reporting.
- We evaluate the overall presentation of the internal control report, including a review of the statements made by the management with respect to the scope, procedures, and results of the assessment of internal control over financial reporting.
- We obtain sufficient and appropriate audit evidence about the results of evaluating internal control over financial reporting stated in the internal control report. The auditors are responsible for instruction, supervision, and execution of audits regarding the internal control report. The auditors assume responsibility for an audit opinion all by themselves.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned internal control audit and its timing of conduct, the results of exercising the internal control audit, material weaknesses identified in internal control to be disclosed, the results of their correction, and other matters required by the auditing standards of internal control.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

Interest

There exists no special interest between the Company and its consolidated subsidiaries and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

Note: 1. All the matters stated above have been electronically copied from the matters stated in the original Audit Report. The original Audit Report is separately archived by the Company.
2. XBRL data are not included in the subject of the audit.

Independent Auditors' Report

June 25, 2021

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Akira Igarashi [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Eishi Daikoku [Seal]
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Audit Opinion

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the 73rd business year from April 1, 2020 to March 31, 2021, consisting of the balance sheets, statements of income, statements of changes in shareholders' equity and other net assets, important accounting policies, other notes and supplementary schedules.

In our opinion, the above financial statements fairly present, in all material respects, the financial conditions of Arisawa Mfg. Co., Ltd. as of March 31, 2021 and the results of its operations for the business year ended March 31, 2021 in accordance with the corporate accounting standards generally accepted in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibility in the auditing standards is stated in "Responsibility of the Auditors in Financial Statements Audit." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that the auditor, as a professional expert, considers to be particularly important in the audit of the financial statements for the current business year. Those are matters that were addressed in the course of performing the audit of the financial statements as a whole and in forming the audit opinion thereon, and we do not express specific opinions on these matters.

Valuation of Inventories

This is omitted because it is identical to the key audit matters (valuation of inventories) described in the audit report on the consolidated financial statements.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the corporate accounting standards generally accepted in Japan. This includes improvement and operation of such internal control as the management deems necessary for the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements based on the going concern assumption and disclosing the items regarding the going concern assumption in accordance with the corporate accounting standards generally accepted in Japan if such items are required to be disclosed.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor the execution of Directors' duties in the improvement and operation of the financial reporting process.

Responsibility of Auditors in Financial Statements Audit

Responsibility of auditors is to express an opinion on the financial statements from an independent standpoint in the auditors' report based on our audit by obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Material misstatement is judged to be material if it is likely to occur due to fraud or

error and, individually or in aggregation, is reasonably expected to have an impact on decisions made by users of the consolidated financial statements.

The auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards generally accepted in Japan.

- We identify and assess a risk of material misstatement due to fraud or error. We also design and conduct the audit procedures that address the risk of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. In addition, we obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- In making such risk assessments, the auditors review internal controls relevant to the audits in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of the financial statements to express an opinion on the effectiveness of the entity's internal control.
- We evaluate the accounting policies adopted by the management and appropriateness of their methods of application as well as reasonableness of the accounting estimates made by the management and validity of related notes.
- We conclude whether it is appropriate for the management to prepare the financial statements with the going concern assumption and whether a material uncertainty regarding events or conditions that may cast significant doubt on the going concern assumption exists based on the obtained audit evidence. If a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the financial statements in the auditors' report, or if the notes regarding a material uncertainty in the financial statements are inappropriate, it is required to express an opinion with exceptive items to the financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the audit report, but a company may not be able to exist as a going concern depending on future events or conditions.
- We evaluate not only whether the presentation and notes of the financial statements are in accordance with generally accepted accounting principles in Japan but also whether the presentation, structure, and contents of the financial statements including related notes as well as the financial statements properly present underlying transactions and accounting events.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned audit and its timing of conduct, material audit findings including material weaknesses of internal control identified in the audit process, and other matters required by the auditing standards.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

Among the matters discussed with Corporate Auditors and Board of Corporate Auditors, Corporate Auditors shall determine matters that are considered to be particularly significant in the audit of the financial statements for the current business year as key audit matters and state them in the auditor's report. However, if publication of such matters is prohibited by laws and regulations, or if the auditor judges that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest, albeit in an extremely limited manner, such matters shall not be included in the auditor's report.

Interest

There exists no special interest between the Company and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

-
- Note: 1. All the matters stated above have been electronically copied from the matters stated in the original Audit Report. The original Audit Report is separately archived by the Company.
2. XBRL data are not included in the subject of the audit.