

FINANCIAL REPORT

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

Business Year from April 1, 2021 to March 31, 2022
(The 74th Term)

(TRANSLATION)

ARISAWA MFG. CO., LTD.

E01152

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PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

(1) Consolidated Management Indicators, etc.

Term	70 th term	71 st term	72 nd term	73 rd term	74 th term
Closing month	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales (Millions of yen)	40,909	44,728	45,970	46,439	43,089
Ordinary income or loss (Δ) (Millions of yen)	4,044	4,297	2,783	3,578	4,204
Profit or loss (Δ) attributable to owners of the parent (Millions of yen)	3,453	2,861	212	2,160	3,911
Comprehensive income (Millions of yen)	4,498	2,200	Δ117	3,808	4,530
Net assets (Millions of yen)	52,493	53,462	49,018	47,444	47,965
Total assets (Millions of yen)	72,382	73,096	71,709	67,257	68,689
Net assets per share (Yen)	1,378.16	1,397.78	1,387.76	1,388.50	1,434.46
Net income or loss (Δ) per share (Yen)	96.35	79.15	6.14	64.94	117.40
Fully diluted net income per share (Yen)	95.51	78.70	6.12	64.84	117.32
Equity ratio (%)	68.6	69.3	64.3	68.8	69.6
Return on equity (%)	7.2	5.7	0.4	4.7	8.3
Price earnings ratio (Times)	10.2	10.0	130.7	15.4	8.2
Cash flows from operating activities (Millions of yen)	2,181	2,893	4,837	610	5,901
Cash flows from investing activities (Millions of yen)	Δ471	Δ3,304	6,580	1,567	2,869
Cash flows from financing activities (Millions of yen)	Δ59	Δ576	Δ4,431	Δ5,703	Δ4,042
Cash and cash equivalents at the end of period (Millions of yen)	8,829	7,718	14,725	11,488	16,893
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	1,426 (295)	1,432 (313)	1,454 (294)	1,433 (290)	1,425 (316)

Note: "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. have been applied from the beginning of the current consolidated fiscal year. Principal Management Indicators, etc. for the current consolidated fiscal year are shown after application of the said Accounting Standard, etc.

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

Term	70 th term	71 st term	72 nd term	73 rd term	74 th term
Closing month	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales (Millions of yen)	28,503	29,269	31,635	31,668	26,648
Ordinary income or loss (Δ) (Millions of yen)	2,451	2,602	2,365	1,932	2,852
Net income or loss (Δ) (Millions of yen)	2,503	1,947	6,792	1,396	2,348
Capital stock (Millions of yen)	7,458	7,541	7,594	7,623	7,643
Number of shares issued and outstanding (Thousands of shares)	36,024	36,226	36,381	34,470	33,614
Net assets (Millions of yen)	36,138	36,571	38,931	40,484	41,016
Total assets (Millions of yen)	46,195	45,688	51,535	49,859	50,225
Net assets per share (Yen)	999.83	1,005.76	1,166.03	1,208.98	1,226.75
Dividend per share (Yen) (Parenthesized figures indicate the amount of interim dividend per share included in the total)	34.00 (—)	30.00 (—)	30.00 (—)	39.00 (—)	95.00 (5.00)
Net income or loss (Δ) per share (Yen)	69.83	53.87	195.86	41.98	70.49
Fully diluted net income per share (Yen)	69.22	53.56	195.28	41.91	70.44
Equity ratio (%)	78.0	79.7	75.2	80.8	81.4
Return on equity (%)	7.2	5.4	18.1	3.5	5.8
Price earnings ratio (Times)	14.1	14.7	4.1	23.8	13.6
Dividend payout ratio (%)	48.7	55.7	15.3	92.9	134.8
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	592 (99)	602 (119)	614 (134)	606 (99)	599 (90)
Shareholders' gross yield (%) (Comparative Indicator : dividend-included TOPIX (Tokyo Stock Price Index))	130.4 (115.9)	109.6 (110.0)	114.6 (99.6)	144.9 (141.5)	151.5 (144.3)
Highest share price (Yen)	1,349	1,350	1,148	1,118	1,072
Lowest share price (Yen)	695	655	680	738	844

- Note: 1. “Highest share price” and “Lowest share price” are recorded in Tokyo Stock Exchange (First section).
2. “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. have been applied from the beginning of the current consolidated fiscal year. Principal Management Indicators, etc. for the current consolidated fiscal year cumulative and the current consolidated fiscal year are shown after application of the said Accounting Standard, etc.

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.
- December 2021
 - Made ThinFlex Corporation a wholly owned subsidiary (currently a consolidated subsidiary).
- April 2022
 - Moved from the 1st Section to the Prime Market along with the market restructuring of the Tokyo Stock Exchange.

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, thirteen (13) 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

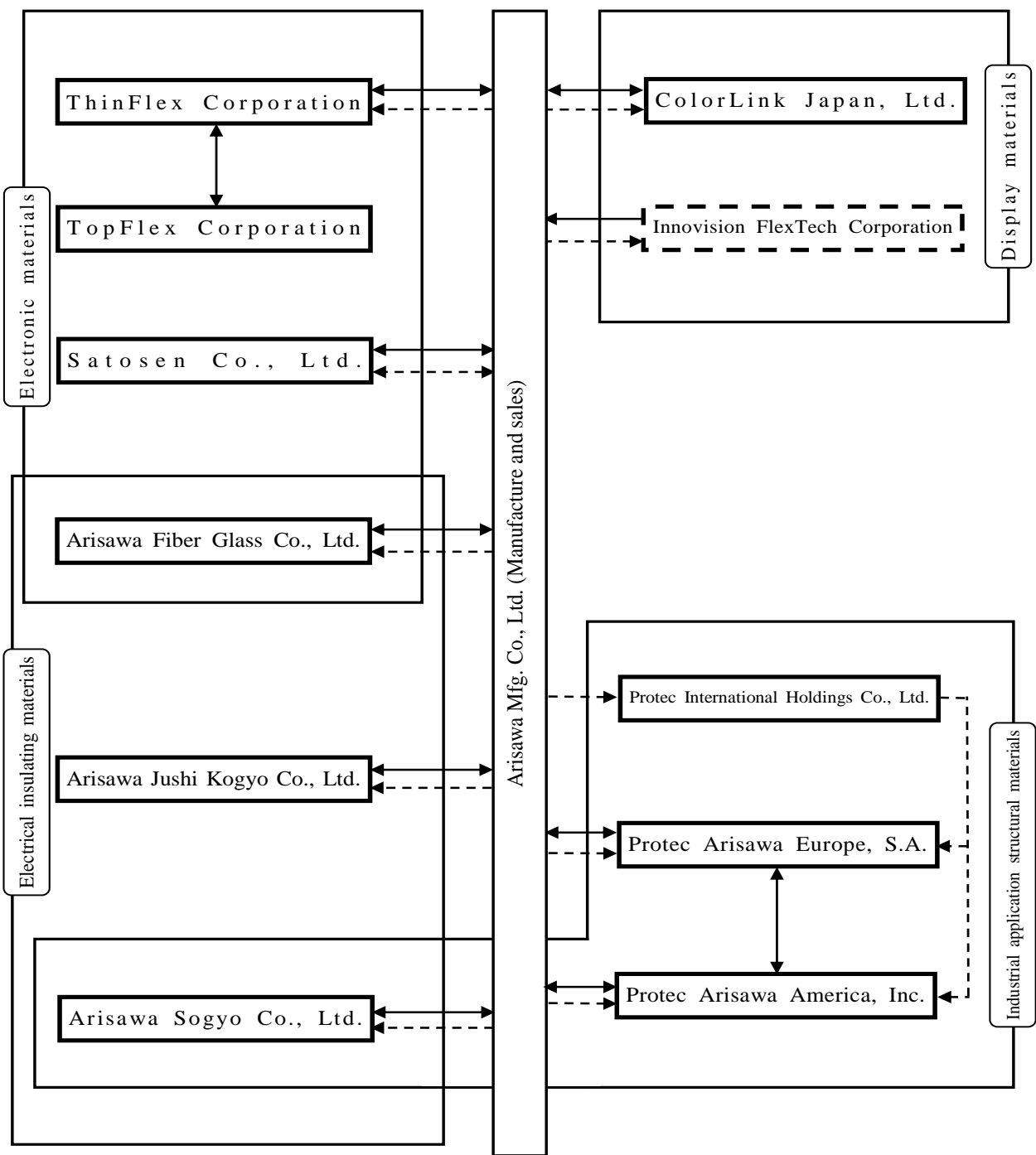
The Company manufactures and sells 3D display filters, etc. for use as display materials. ColorLink Japan, Ltd., a subsidiary, manufactures and sells special optical components. Innovision FlexTech Corporation manufactures and sells screens, etc.

(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)



Transactions of products, etc.
 Consolidated subsidiary
Affiliated company accounted for under the equity method

Other transactions

(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 5)	Kaohsiung County, Taiwan	1,006,377 (Thousands of Taiwan dollar)	Electronic materials	100.0	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 6)	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. The Company acquired all shares of ThinFlex Corporation as of December 20, 2021 and made the Corporation and its wholly owned subsidiary, TopFlex Corporation (Kunshan), wholly owned subsidiaries.
 6. 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	7,057,211
(2) Ordinary income	582,275
(3) Net income	531,635
(4) Net assets	3,144,324
(5) Total assets	8,163,332

5. Status of Employees

(1) Status of Consolidated Group

(As of March 31, 2022)

Segment name	Number of employees	
Electronic materials	894	(204)
Industrial application structural materials	236	(55)
Electrical insulating materials	99	(9)
Display materials	120	(17)
Total of reportable segments	1,349	(285)
Other	35	(21)
Unallocated (Common)	41	(10)
Total	1,425	(316)

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, 2022)

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
599 (90)	44.1	20.3	6,070

Segment name	Number of employees	
Electronic materials	391	(69)
Industrial application structural materials	75	(3)
Electrical insulating materials	48	(7)
Display materials	44	(1)
Total of reportable segments	558	(80)
Unallocated (Common)	41	(10)
Total	599	(90)

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, 2022 stands at 469 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. We also select themes that have impacts on society and environment and aim to contribute to society through business. Specifically, we place the following as important issues and are working on them, i.e. (i) contribution to a decarbonized society (achieving carbon neutrality, promotion of energy saving and resource saving, substituting with renewable energy, provision of environmental load reduction materials), (ii) promotion of a circular economy (reduction of emissions, strengthening supply chain management), (iii) enhancement of governance (organization with high ethical standards, organization system with a culture of openness), (iv) development of diverse human resources and enhancement of descent work (development of next-generation human resources, a company where all employees work actively). Particularly, we publicized “Carbon Neutral Initiatives” on our website on June, 2021 because we especially recognize climate change as a pressing issue.

- 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 work to strengthen our base of operations in Asian market.
- 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 new energy fields, with a view to further growth.
- In the display materials segment, we work to further expand sales of new products utilizing our unique 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 and its progress report on May, 2021 and May, 2022. 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 an adequate liquid fund 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, 2022 were 4.4%.

(5) Climate Change Initiatives

Effects from climate change such as recent increase and increased severity of extreme weather events are becoming serious globally. The Group as a manufacturer that produces products from chemicals recognizes a climate change issue facing us as one of important business challenges.

The Group has been so far actively involved in environmental protection activities and consistently improved them by promoting the reduction, etc. of electricity and gas consumption, hazardous chemical substance, and industrial waste in accordance with our Environmental Policy, as the Environmental Protection and Management Committee deliberates on the activities. We publicized “Carbon Neutral Initiatives” on our website on June, 2021 with the aim to continuously contribute to a decarbonized society through business as mentioned in “(2) Mid- to Long-Term Management Strategies” above. As part of our initiatives on environmental issues, we proceeded with analysis and examination targeting at our main businesses in accordance with the framework of TCFD (Task Force on Climate-related Financial Disclosures) recommendations and disclosed the result on our website, based on our belief that the recommendations will contribute to the development of a decarbonized and sustainable society.

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 there has been some progress towards its containment with the progress of vaccinations, it remains uncertain because the timing of the containment of the new corona virus infection (COVID-19) cannot be predicted and the effect on the economy has been 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.

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. have been applied from the current consolidated fiscal year.

Accordingly, the net sales for the current consolidated fiscal year decreased greatly compared to the previous consolidated fiscal year.

As a result, we explain the net sales without stating increase (decrease) compared with the previous consolidated fiscal year and year-to-year comparison (%) in the explanation about the business results for the current consolidated fiscal year.

For details, see “V. Status of Accounting - 1. Consolidated Financial Statements, etc. - (1) Consolidated Financial Statements notes (Changes in Accounting Policies)”.

i) Financial Position and Operating Results

The Japanese economy in the current consolidated fiscal year was affected by the spread of the new corona virus infection (COVID-19), but vaccination made progress and economic activities were gradually normalized. On the other hand, it remained uncertain due to the worsening situation in Ukraine and the continuing severe conditions related to soaring energy costs and raw material prices. 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 43,089 million yen, an operating income of 3,320 million yen (representing a 6.5% increase as compared with the previous consolidated fiscal year), an ordinary income of 4,204 million yen (representing a 17.5% increase as compared with the previous consolidated fiscal year) and a

profit attributable to owners of the parent of 3,911 million yen (representing a 81.0% 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, as a result of supply chain constrains, net sales were 29,768 million yen, due to decrease 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 decreased by 6.9% to 17,867 million yen, and the production output decreased by 2.8%, 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 2,907 million yen (representing a 2.5% decrease as compared with the previous consolidated fiscal year) due to a decrease in sales.

Industrial application structural materials

In the industrial application structural materials segment, due to a decrease in sales of aircraft materials as a result of sluggishness in the aviation industry, etc., net sales were 7,053 million yen, while the segment income or loss recorded an income of 872 million yen (representing a 7.1% decrease as compared with the previous consolidated fiscal year) due to a decrease in sales.

Electrical insulating materials

In the electrical insulating materials segment, due to an increase in infrastructure-related sales, net sales were 2,604 million yen, while the segment income or loss recorded an income of 303 million yen (representing a 58.0% increase as compared with the previous consolidated fiscal year) due to an increase in sales.

Display materials

In the display materials segment, due to an increase in 3D imaging-related materials sales and in sales of polarization control optical components by ColorLink Japan, Ltd., net sales were 3,253 million yen, while the segment income or loss recorded an income of 815 million yen, representing a 268.4% increase as compared with the previous consolidated fiscal year due to an increase in net sales of 3D imaging-related materials, profit improvement of ColorLink Japan Ltd., etc.

Other (other businesses)

In other businesses, net sales were 410 million yen, while the segment income or loss recorded an income of 172 million yen (representing a 29.4% decrease as compared with the previous consolidated fiscal year).

ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as the “Funds”) as of the end of the current consolidated fiscal year were 16,893 million yen, representing a year-on-year increase of 5,404 million yen, or 47.0%.

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 5,901 million yen, representing an 866.6% increase as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising 4,965 million yen in income before income taxes and 2,170 million yen in depreciation, etc. as well as a decrease in the Funds comprising 1,486 million yen in increase in inventories, etc.

(Cash flows from investing activities)

Funds disbursed for investing activities were 2,869 million yen, representing a 83.1% increase as compared with the previous consolidated fiscal year. This was due largely to an increase of 3,339 million yen, etc. from sales of investment securities by selling bonds held, etc. for an additional acquisition of shares 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 1,907 million yen for purchases of property, plant and equipment, etc.

(Cash flows from financing activities)

Funds disbursed from financing activities were 4,042 million yen, representing a 29.1% decrease as compared with the previous consolidated fiscal year. This was due largely to a decrease of 2,439 million yen for acquisition of a subsidiary without change of scope of consolidation by an additional acquisition of shares 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, 2021 to March 31, 2022) (Millions of yen)	Comparison with the previous consolidated fiscal year (%)
Electronic materials	29,768	△5.9
Industrial application structural materials	7,053	△20.2
Electrical insulating materials	2,604	11.3
Display materials	3,253	15.3
Total of reportable segments	42,678	△6.5
Other	410	△47.8
Total	43,089	△7.2

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, 2020 to March 31, 2021)		Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Sumitomo Shoji Chemicals Co., Ltd.	4,986	10.7	—	—

(Statement is omitted as there is no customer who accounts for 10/100 or more of sales results in the current consolidated fiscal year.)

(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 68,689 million yen (67,257 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 1,431 million yen, or 2.1%.

The main factor for this is a decrease of 2,790 million yen of investment securities by selling bonds held for an additional acquisition of share aimed at making ThinFlex Corporation, a consolidated subsidiary in Taiwan, a wholly owned subsidiary, as well as an increase of 4,126 million yen in cash and deposits, etc.

(Liabilities)

Total liabilities as of the end of the current consolidated fiscal year were 20,723 million yen (19,812 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 910 million yen, or 4.6%.

The main factor for this is an increase of 810 million yen in income taxes payable, etc.

(Net assets)

Total net assets as of the end of the current consolidated fiscal year were 47,965 million yen (47,444 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 520 million yen, or 1.1%.

The main factor for this is a decrease of 1,385 million yen in capital surplus due to an additional acquisition of shares of ThinFlex Corporation, a consolidated subsidiary in Taiwan, as well as an increase of 1,562 million yen in retained earnings, etc.

2) Analysis of Results of Operations

(Net sales)

Net sales for the current consolidated fiscal year were 43,089 million yen (46,439 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 3,349 million yen, or 7.2%. Cost of sales was 34,422 million yen (38,501 million yen for the previous consolidated fiscal year) through our thorough cost-cutting efforts, representing a year-on-year decrease of 4,079 million yen and signifying a 3.0 percentage point increase in the ratio of cost of sales to 79.9%.

As a result, gross profit was 8,667 million yen (7,938 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 729 million yen and signifying a 3.0 percentage point increase in the ratio of gross profit to 20.1%.

(Operating income or loss)

Total selling, general and administrative expenses for the current consolidated fiscal year were 5,346 million yen (4,820 million yen for the previous consolidated fiscal year) despite our thorough cost-cutting efforts, representing a year-on-year increase of 526 million yen and signifying a 2.0 percentage point increase in the ratio of selling, general and administrative expenses to 12.4%.

As a result, operating income was 3,320 million yen (3,118 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 202 million yen and signifying a 1.0 percentage point increase in the ratio of operating profit to 7.7%.

(Ordinary income or loss)

Non-operating income and expenses for the current consolidated fiscal was an income of 883 million yen (an income of 459 million yen for the previous consolidated fiscal year), representing an increase of 423 million yen. A main factor for this is the posting of 445 million yen in foreign exchange gains.

As a result, ordinary income was 4,204 million yen (3,578 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 626 million yen and signifying a 2.1 percentage point increase in the ratio of ordinary profit to 9.8%.

(Income or loss before income taxes)

Extraordinary income or loss for the current consolidated fiscal year recorded an income of 761 million yen (a loss of 61 million yen for the previous consolidated fiscal year), representing an increase of 822 million yen. The main factor for this was an increase of gain or loss on sales of investment securities (an income of 9 million yen for the previous consolidated fiscal year and an income of 777 million yen for the current consolidated fiscal year, representing an increase of 767 million yen). As a result, income before income taxes was 4,965 million yen (3,516 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,449 million yen and signifying a 3.9 percentage point increase in the ratio of profit before income taxes to 11.5%.

(Profit or loss attributable to owners of the parent)

Total income taxes for the current consolidated fiscal year were 961 million yen (918 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 43 million yen. As the bottom line, profit attributable to owners of the parent for the current consolidated fiscal year was 3,911 million yen (2,160 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 1,750 million yen and signifying a 4.4 percentage point increase in the ratio of profit attributable to owners of the parent to 9.1%.

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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Equity ratio (%)	68.8	69.6
Equity ratio on a mark-to-market basis (%)	49.6	46.4
Ratio of interest-bearing liabilities to cash flows (Years)	13.6	1.5
Interest coverage ratio (Times)	3.7	43.6

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 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 other than stocks and others without a quoted market price and use the cost method on securities without a quoted market price. 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 a quoted market price) and investees' business results etc. may worsen (if such securities have no quoted market price).

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 12,928 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 materials for FPCs (flexible printed circuit boards), glass cloth for printed circuit boards and prepregs for special 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 165 employees involved in research and development activities, and our total research and development expenses incurred in the current consolidated fiscal year amounted to 1,926 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

With regard to mobile devices, 5G communication products are becoming more common and full-scale 5G communication will require communication in higher frequency (millimeter wave) region. Electronic devices used for high-speed communication in this millimeter wave region require reduction in signal transmission loss. In order to deal with this, we have a lineup of various low-dielectric FPC materials which have low signal transmission loss. Studies for the next-generation 6G communication system have been started and this will require even higher frequency. To deal with this trend, we have developed copper-clad laminate using fluorine materials which have superior low-dielectric property. Its evaluation is underway among our customers.

- 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.

One of the materials required for in-car FPC is FPC with thick copper circuit adapted to high current. It requires to be about 10 times thicker than copper circuit used in mobile devices, etc. We have successfully developed copper-clad laminate corresponding to this demand by using our processing technology. Its evaluation for adoption is underway among our customers.

In addition, as on-board IC power modules are improving performance, an amount of heat generation of IC is on the rise and adhesive sheets with superior heat dissipation property are required to efficiently radiate the heat generated from it. We have developed a 15W/mK product, which is industry-leading levels, in addition to a line-up of various insulating adhesive sheets whose heat dissipation property is from 1 to 10W/mK and started to provide its samples to our customers.

Research and development expenses incurred with respect to electronic materials amounted to 1,185 million yen.

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

- Water treatment FRP pressure vessels

Our FRP pressure vessels have been used widely for water treatment such as seawater desalination. In recent years, they have obtained the conformity certification pursuant to the amended Food Sanitation Act in Japan and are applied for drinking water. Our consolidated subsidiaries, Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc., are conducting qualification tests to obtain ACS (Attestation de Conformite Sanitaire; French Certificate of Sanitary Conformity) and NSF-61 certification (American National Standard for Drinking Water). We will continue to develop products that can contribute to securing water resources.

- Environmental load reduction materials for aircrafts

In recent years, as environmental regulations are becoming stricter, environmental load reduction materials are required in the aviation industry. Honeycomb panels used for wall materials of airframe's interior contain environmental load materials such as halogen and antimony to make them flame-retardant. We have developed the world's first honeycomb panel materials whose environmental load is reduced with non-halogen and non-antimony by using our own compounding technique. We will proceed with customer evaluation with the aim of adoption by aircraft manufacturers.

- Materials for disaster countermeasures

As natural disasters such as floods, earthquakes, and typhoons occur more frequently, buildings and structural members are being reinforced and disaster-prevention measures are being taken. CFRP cured using carbon-fiber as reinforcement fiber and impregnated with high-strength resin is adopted for reinforcement of structural members, and its applications are expected to develop in a variety of fields. Moreover, as the demand for FRP materials which are flame-retardant to prevent the spread of fire is growing, we have developed a transparent GFRP sheet which has UV and IR cut performance as well as high transmittance and high rigidity besides flame-retardance by using our own resin compounding and molding technology. Customer evaluation is underway for application to exterior materials, etc. We will continue to focus our efforts on these fields and develop differentiated materials.

Research and development expenses incurred with respect to composite materials amounted to 477 million yen.

(3) Display Materials Field

- 3D display materials

The 3D display systems incorporating the Company's "Xpol®" are being adopted in the medical field because of their high reliability and 3D performance. In recent years, they are being increasingly adopted for use in microscopic surgery using high-quality 4K resolution displays in addition to endoscopic surgery. Their customer evaluation is underway for robotic surgical application because of their unique Xpol® design that balances an adequate 3D viewing angle and brightness even at high resolution. From now on, they are expected for the development of applications in remote medical care which uses a 5G high-speed communication.

- Functional adhesive materials

We have been developing, with our own resin compounding technique, functional adhesive materials that are to be used for display-related parts. We started to provide to our customers the samples whose functions are customized according to purposes such as mini LED and LCD. Functional adhesive materials that were developed with resin compounding that does not use solvent for the purpose of environmental load reduction achieved both high reliability and transparency and received customer certification. The 3D display systems incorporating the Company's "Xpol®" are adopted in the medical field because of their high reliability and 3D performance. In recent years, they are also 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.

Research and development expenses incurred with respect to display materials amounted to 249 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 totaling 2,268 million yen in the current consolidated fiscal year.

The principal component of our capital investment in the current consolidated fiscal year was 1,817 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, 2022

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,	402,190	50,061	55,095 (18,204)	25	39,564	546,936	58 (11)
Nakahahara 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	2,174,971	1,013,409	292,136 (114,643)	257,573	310,347	4,048,438	396 (66)
Nakahahara-Nishi Factory (Joetsu-shi, Niigata)	Industrial application structural materials, Display materials	Industrial application structural materials, Display materials manufacturing facilities	209,691	568,960	356,454 (33,941)	16,288	14,905	1,166,301	71 (-)
Head Office (Joetsu-shi, Niigata)	Head office (Common)	Other facilities	590,612	2,567	100,691 (26,963)	-	52,618	746,489	33 (12)
Tokyo Branch Office (Taito-ku, Tokyo)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials, Other, Head office (Common)	Other facilities	136,505	7,394	298,820 (577)	-	27,169	469,889	38 (1)

(2) Domestic Subsidiaries

As of March 31, 2022

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	138,986	30,693	291,900 (4,373)	—	37,133	498,713	83 (101)
Arisawa Fiber Glass Co., Ltd.	--- (Joetsu-shi, Niigata)	Electronic materials, Electrical insulating materials	Electronic materials manufacturing facilities, Electrical insulating materials manufacturing facilities	352,554	306,966	120,061 (36,965)	69,970	11,495	861,047	93 (34)
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	277,451	30,211	262,447 (49,319)	—	25,566	595,677	94 (26)
Arisawa Jushi Kogyo Co., Ltd.	--- (Kawaguchi-shi, Saitama)	Electrical insulating materials	Electrical insulating materials manufacturing facilities	49,886	39,751	31,561 (2,407)	—	3,992	125,192	15 (—)
ColorLink Japan, Ltd.	--- (Joetsu-shi, Niigata)	Display materials	Display materials manufacturing facilities	80,757	38,449	49,188 (4,684)	—	12,437	180,832	76 (16)

(3) Overseas Subsidiaries

As of March 31, 2022

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	1,301,602	959,534	-	438,043 (See Note 4)	975,316	3,674,498	223 (—)
TopFlex Corporation	--- (Kunshan City, P.R. China)	Electronic materials	Electronic materials manufacturing facilities	245,744	130,066	-	44,470 (See Note 4)	19,747	440,027	131 (—)
Protec Arisawa Europe, S.A.	--- (Munguia, Spain)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	85,406	215,899	31,060 (8,891)	-	8,537	340,903	78 (46)
Protec Arisawa America, Inc.	--- (Vista, CA, U.S.A.)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	15,206	43,640	-	-	21,279	80,126	37 (3)

Note: 1. Among the columns under "Book value", "Other" indicates the total of tools, furniture and fixtures and construction in progress.

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, 361,856 thousand yen (39,265 m²) and 46,129 thousand yen (30,136 m²), 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	714,206	233,439	Own funds	May2021	September2022	—
TopFlex Corporation	Kunshan City, P.R. China	Electronic materials	Electronic materials manufacturing facilities	902,400	270,720	Own funds	February2022	October2023	—
Arisawa Mfg. Co., Ltd.	Joetsu -shi, Niigata	Electronic materials	Electronic materials manufacturing facilities	668,500	379,915	Own funds	September2021	June2022	—

- 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, 2022)	Number of shares issued and outstanding as of the filing date of the Financial Report (As of June 29, 2022)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	33,614,824	33,616,324	Tokyo Stock Exchange First Section as of the end of the business year Prime Market (as of the filing date of the Financial Report)	Number of shares constituting one full unit: 100
Total	33,614,824	33,616,324	---	---

- Note:
1. The number of shares issued through the exercise of stock acquisition rights in the period from June 1, 2022 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. The Company disposed of 23,435 shares of treasury stock for restricted stock compensation as of July 21, 2021 upon a resolution by the Board of Directors on June 25, 2021.
 3. 23,435 shares out of shares issued and outstanding as of the filing date of this Quarterly Report are by contribution in kind (20,997 thousand yen of monetary compensation claims) when treasury stock was disposed of for restricted stock compensation.

(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 28, 2017	June 28, 2018
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 194 employees of the Company, and 10 directors and employees of subsidiaries of the Company	5 directors of the Company, 211 employees of the Company, and 11 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) ※	2,340 [2,299]	2,635 [2,608]
Class, contents and number of shares subject to stock acquisition rights	Common stock 234,000 [229,900]	Common stock 263,500 [260,800]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	1,004 (See Note 1)	1,104 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2019 through June 30, 2022	July 1, 2020 through June 30, 2023
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) ※	Issuance price 1,035 Amount credited to equity capital 518	Issuance price 1,272 Amount credited to equity capital 636
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 27, 2019	June 25, 2020
Category and number of persons to whom stock acquisition rights shall be granted	4 directors of the Company, 208 employees of the Company, and 14 directors and employees of subsidiaries of the Company	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) ※	2,470 [2,469]	1,303 [1,268]
Class, contents and number of shares subject to stock acquisition rights	Common stock 247,000 [246,900]	Common stock 130,300 [126,800]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) ※	922 (See Note 1)	890 (See Note 1)
Exercise period for stock acquisition rights ※	July 1, 2021 through June 30, 2024	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 1,090 Amount credited to equity capital 545	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, 2022). 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, 2022), 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, 2017 to March 31, 2018 (See Note 1)	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 1)	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 1)	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 1)	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 1)	64,100	34,470,524	21,017	7,623,638	21,017	6,735,630
From April 1, 2021 to August 31, 2021 (See Note 1)	19,800	34,490,324	6,276	7,629,915	6,276	6,741,906
August 31, 2021 (See Note 2)	△900,000	33,590,324	—	7,629,915	—	6,741,906
From September 1, 2021 to March 31, 2022 (See Note 1)	24,500	33,614,824	13,862	7,643,777	13,862	6,755,769

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, 2022 to May 31, 2022, the number of shares issued and outstanding increased by 1,500 shares, and the amount of capital stock and that of legal capital surplus increased by 894 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Shareholder Categories

As of March 31, 2022

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	—	21	31	105	93	18	11,006	11,274	—
Number of shares held (Units except as otherwise noted)	—	109,214	10,042	27,587	69,525	177	118,842	335,387	76,124
Ratio of the number of shares held (%)	—	32.56	2.99	8.23	20.73	0.05	35.44	100.00	—

- Note:
1. Out of 212,975 shares of treasury stock, 2,129 units are included in the column “Individuals and others”, and 75 shares are included in the column “Status of shares constituting less than one full unit”. 88,600 shares of the Company which a trust account for employee stock ownership plan holds are not included in the treasury stock.
 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, 2022

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	5,048,700	15.11
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)	2,982,600	8.92
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	2,048,300	6.13
Mitsubishi Gas Chemical Company, Inc. (See Note 3)	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.40
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.49
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	2.22
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)	660,930	1.97
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)	648,379	1.94
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	1.58
Sanji Arisawa	Shinjuku-ku, Tokyo	463,769	1.38
Total	---	15,433,621	46.20

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. 88,600 shares of the Company which a trust account for employee stock ownership plan holds are not included in the treasury stock excluded from the total number of shares issued and outstanding.

2. Apart from the above, there is the treasury stock of 212,975 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, 2022. 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, 2022. 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, 2022. 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, 2022. 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 22, 2022 that Strategic Capital, Inc. hold the shares described below as of March 14, 2022, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2022. 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. : 2,982,700
Holding ratio of share certificates etc. : 8.88

(7) Status of Voting Rights

1) Shares issued and outstanding

As of March 31, 2022

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 212,900	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,325,800	333,258	---
Shares constituting less than one full unit (See Note 2)	Common stock 76,124	---	---
Number of shares issued and outstanding	33,614,824	---	---
Total number of voting rights held by shareholders	---	333,258	---

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. 88,600 shares of the Company which a trust account for employee stock ownership plan holds are included in the row "Shares with full voting rights (Other)". 886 units of voting rights for shares with full voting rights of such trust account are included in the column "Number of voting rights".

3. 75 shares of treasury stock are included in the row "Shares constituting less than one full unit".

2) Treasury Stock, etc.

As of March 31, 2022

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	212,900	---	212,900	0.63
Total	---	212,900	---	212,900	0.63

Note: 88,600 shares of the Company which a trust account for employee stock ownership plan holds are not included in the column "Under own name".

(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. The purpose of the system is 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 3 of the Companies Act and 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

Acquisition of common stock under the provisions of Article 155, item 3 of the Companies Act

Category	Number of shares	Total amount (Yen)
Resolution of the Board of Directors (May 12, 2022)	820,000	750,000,000
Acquisition of treasury stock prior to the current business year	—	—
Treasury stock acquired during the current business year	—	—
Total remaining shares with voting rights and total value thereof	—	—
Ratio of unexercised shares as of the end of the current business year (%)	100.0	0.0
Treasury stock acquired during the current period	89,200	92,776,000
Ratio of unexercised shares as of the filing date (%)	89.1	87.6

Note: The row “Treasury stock acquired during the current period” does not include the number of shares acquired from June 1, 2022 to the filing date of this Financial Report.

(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	221	209,441
Treasury stock acquired during the current period	—	—

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, 2022 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	900,000	918,310,779	---	---
Acquired treasury stock transferred in relation to merger, share exchange and company split	---	---	---	---
Other (Disposal of treasury stock by restricted stock-based compensation)	23,435	20,997,760	---	---
Number of shares of treasury stock held	212,975	---	212,975	---

Note: 1. 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, 2022 to the filing date of this Financial Report.

2. Shares which a trust account for employee stock ownership plan holds are not included in the number of disposed treasury stock and the row “Number of shares of treasury stock held”.

3. Dividend Policy

The Company will proactively return its funds earned during the period to shareholders as well as invest them in the maintenance and expansion of its revenue base for existing businesses and the development of new use applications. Specifically, the Company makes it a basic policy a total return ratio of 80% or more for performance-linked dividend and will respond flexibly to an acquisition of treasury stock in total consideration of demand of funds, financial conditions, etc.

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.

With regard to the annual dividend for the current business year, the Company distributed interim dividend payments by using the gain on sales of part of cross-shareholdings as a source and paid 5 yen per share (special dividend). The Company also paid 90 yen per share for year-end dividends and the annual dividends during the period are 95 yen per share. As a result, the dividend payout ratio for the current consolidated fiscal year was 80.9%.

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 of the Board of Directors of October 28, 2022	166,887	5.00
Resolution at the Ordinary General Meeting of Shareholders of June 28, 2022	3,006,166	90.00

The Company passed a resolution at the Board of Directors' Meeting held on May 12, 2022 on the acquisition of treasury stock up to a total of 820,000 shares issued and outstanding and a total of 750,000,000 yen to enhance shareholder returns and improve capital efficiency in accordance with the medium-term management plan. Acquisition period is scheduled from May 13, 2022 to December 30, 2022. A consolidated total return ratio for the current business year, taking into consideration the acquisition of treasury stock in addition to returns, is expected to be 100.3%.

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, a twelve (12)-member Board of Operating Officers (comprising one (1) Chief Executive Officer and eleven (11) 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

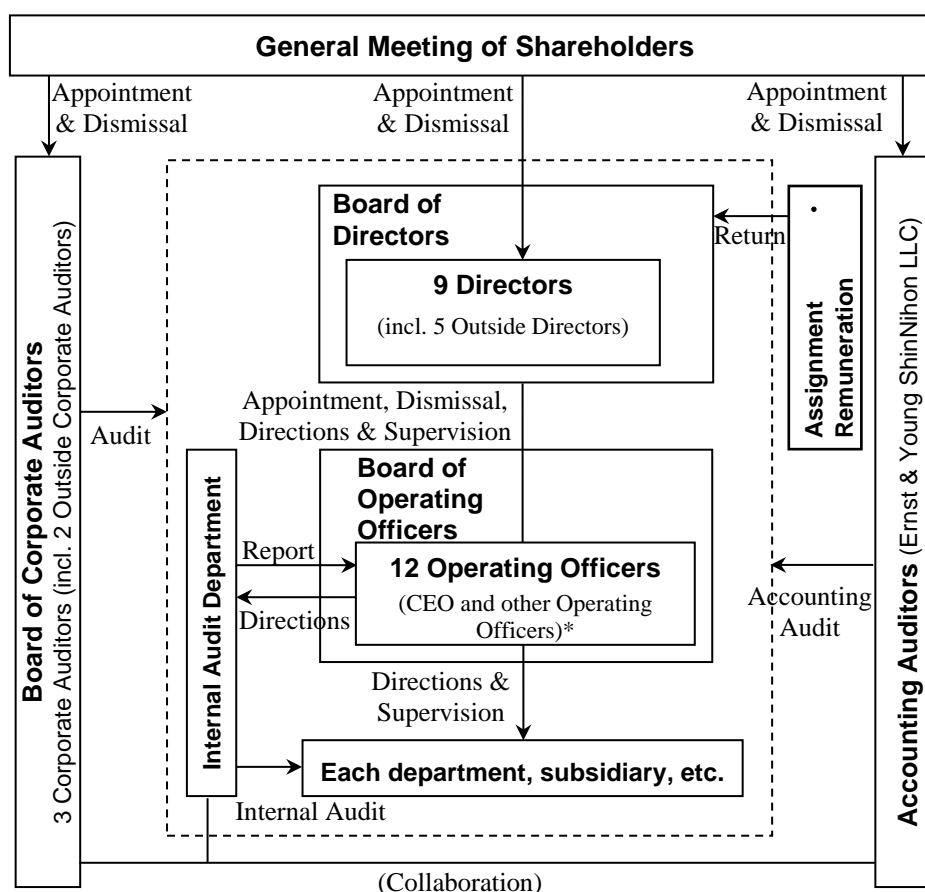
To ensure credibility of financial reporting, the Group shall make continuous evaluation of the status of improvement and operation of the internal control system for financial reporting and also remedy any defect or flaw found in such system, thereby maintaining a system which allows the Group's internal 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 (12) 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.

(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 February 2002 August 2003 April 2007 April 2009 June 2010 June 2011 June 2014 June 2015 June 2017</p> <p>Joined Mitsubishi Electric Corporation Joined JPMorgan Securities Japan Co., Ltd. Joined the Company Assistant General Manager, Manufacturing Dept. Operating Officer of the Company Director and Senior Operating Officer of the Company Director and Senior Managing Operating Officer of the Company President, Representative Director of the Company Chief Operating Officer (COO) of the Company Chief Executive Officer (CEO) of the Company (Current)</p>	See Note 4	92,132
Director Division Chief, Electrical Performance Materials Business Div.	Yoshihiko Toda	January 24, 1958	<p>March 1981 July 1996 June 2008 June 2008 June 2014 May 2017 June 2017 May 2022</p> <p>Joined the Company General Manager, Tokyo Branch Office President and Representative Director of Arisawa Jushi Kogyo Co., Ltd. (Current) Operating Officer of the Company Director and Senior Operating Officer of the Company President and Representative Director of Arisawa Fiber Glass Co., Ltd. (Current) Director and Senior Managing Operating Officer of the Company (Current) President and Representative Director of ColorLink Japan, Ltd. (Current)</p>	See Note 4	59,009
Director Senior Operating Officer supervising Electronic Materials Sales Dept.; Division Chief, Electronic Materials Business Div.	Osamu Nakajima	June 5, 1965	<p>April 1989 May 2011 April 2013 July 2014 October 2015 June 2016</p> <p>Joined Mitsui & Co., Ltd. Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd. Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd. Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui & Co., Ltd. Joined the Company as Operating Officer Director and Senior Operating Officer of the Company (Current)</p>	See Note 4	22,451
Director Senior Operating Officer supervising Manufacturing Dept. and Administration Dept.	Takeshi Masuda	April 3, 1963	<p>October 1990 November 2003 July 2008 October 2010 June 2011 June 2015 June 2021</p> <p>Joined the Company Group Leader, Administration Planning Group Assistant General Manager, Manufacturing Dept. General Manager, Corporate Planning Dept. Operating Officer of the Company supervising Corporate Planning Dept. Operating Officer Director and Senior Operating Officer of the Company (Current)</p>	See Note 4	17,130
Director	Yutaka Tsukahara	December 21, 1945	<p>April 1968 June 1999 June 2001 June 2003 May 2005 June 2017</p> <p>Joined Fuji Heavy Industries Ltd. (currently Subaru Corporation) Vice President and Senior General Manager, Japan Sales & Marketing Div. of Fuji Heavy Industries Ltd. Senior Vice President and Chief General Manager, Japan Region, Subaru Sales & Marketing Div. of Fuji Heavy Industries Ltd. Senior Vice President and Chief General Manager, Subaru Product & Portfolio Planning Div. of Fuji Heavy Industries Ltd. President and Representative Director of Tokyo Subaru Inc. 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</p> <p>April 2006</p> <p>April 2009</p> <p>March 2011 August 2011</p> <p>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</p> <p>July 2007 February 2010 September 2010</p> <p>September 2011 April 2015</p> <p>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 Part-time lecturer at Tokyo University of Foreign Studies Part-time lecturer at Sophia University Visiting Professor at Kanda University of International Studies Auditor, Foreign Correspondents' Club of Japan Director of the Company (Current)</p>	See Note 4	---
Director	Hirotohi Takada	August 10 1953	<p>March 1977 April 2003 June 2005 June 2008 April 2011 April 2011 June 2011 March 2012</p> <p>June 2013</p> <p>March 2014 April 2014 June 2015</p> <p>July 2015 July 2015</p> <p>March 2016</p> <p>June 2017</p> <p>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</p> <p>January 2016 April 2018</p> <p>June 2020</p> <p>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	Hisashi Masumura	February 5, 1963	<p>November 1987 July 2005</p> <p>July 2008</p> <p>October 2010 April 2012 April 2018</p> <p>October 2020 June 2022</p> <p>Joined the Company Group Leader, Human Resources Group, Human Resources Dept. Group Leader, Administration Planning Group, Corporate Planning Dept. Assistant General Manager, Manufacturing Dept. General Manager of Human Resources Dept. General Manager of Human Resources Dept. and General Affairs Dept. General Manager, General Affairs Dept. Full-time Corporate Auditor of the Company (Current)</p>	See Note 5	700

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Corporate Auditor	Koichiro Tanaka	July 6, 1965	<p>October 1987 Joined Tohmatsu Aoki & Sanwa (presently Deloitte Touche Tohmatsu LLC)</p> <p>March 1991 Registered as Certified Public Accountant</p> <p>August 1998 Resident Representative of Dalian Office, U.S. Deloitte Touche Tohmatsu (Office Head)</p> <p>September 2002 Managing Director of the Japanese Operations Department in South China of Shenzhen Office in China, Deloitte Touche Tohmatsu Limited</p> <p>December 2003 Director and Executive Officer; Partner supervising China Business and in charge of Public Communication, Corporate Finance Department of Deloitte Touche Tohmatsu (presently Deloitte Tohmatsu Financial Advisory LLC)</p> <p>June 2014 Retired from Deloitte Touche Tohmatsu LLC</p> <p>July 2014 Established Tanaka Sogo Accountant Office, Representative Director (current)</p> <p>March 2017 Outside Corporate Auditor, ODAWARA ENGINEERING CO., LTD. (current)</p> <p>June 2018 Auditor, Japan Automobile Research Institute (current)</p> <p>June 2020 Corporate Auditor of the Company (Current)</p>	See Note 6	1,000
Corporate Auditor	Koichi Yokota	March 3, 1970	<p>November 1996 Registered as Certified Public Tax Accountant</p> <p>April 2003 Director, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association Head, Yokota Accountant Office (current)</p> <p>January 2004 Head, Yokota Accountant Office (current)</p> <p>April 2019 General Manager, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association</p> <p>June 2020 Corporate Auditor of the Company (Current)</p> <p>April 2021 Managing Director, Niigata Prefecture Branch Federation of Kanto-Shinetsu Certified Public Tax Accountant's Association (Current)</p>	See Note 6	---
					Total: 195,422

- Note:
1. Figures stated in the column "Number of shares of the Company held" represent the number of shares beneficially owned by each of the persons listed above, including their respective ownership interests under the Company's stock ownership plan for its directors and officers. Since the number of shares acquired in June 2021 through the said stock ownership plan is yet to be confirmed as of the filing date of this Financial Report (June 28, 2021), the number of shares beneficially owned by each of the persons listed above as of May 31, 2021 is stated.
 2. Among the Directors, Yutaka Tsukahara, Koji Nakamura, Kazuo Abiko, Hirotohi Takada and Miho Numata are Outside Directors (set forth in Article 2, item 15 of the Companies Act) falling under the outside officers (set forth in Article 2, paragraph 3, item 5 of the Ordinance for Enforcement of the Companies Act).
 3. Among the Corporate Auditors, Koichiro Tanaka and Koichi Yokota are Outside Corporate Auditors (set forth in Article 2, item 16 of the Companies Act) falling under the outside officers (set forth in Article 2, paragraph 3, item 5 of the Ordinance for Enforcement of the Companies Act).
 4. From the closing of the Ordinary General Meeting of Shareholders held on June 25, 2021 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2023.
 5. From the closing of the Ordinary General Meeting of Shareholders held on June 25, 2022 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2024.
 6. From the closing of the Ordinary General Meeting of Shareholders held on June 25, 2020 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2024.
 7. The Company employs the Operating Officer system to ensure expeditious execution of the operations determined by the Board of Directors and formulation of highly transparent management strategies. The Company has a total of twelve (12) Operating Officers consisting of one (1) Chief Executive Officer, one (1) Senior Managing Operating Officer, two (2) Senior Operating Officers and the following eight (8) Operating Officers.

Makoto Tai	Operating Officer supervising Performance Materials Research & Development Dept. (sub), Electronic Materials Research & Development Dept., Development Support Dept. (principal) and Analysis Center; Deputy Executive General Manager, Performance Materials Business Div.
Takeshi Aizawa	Operating Officer supervising Procurement Dept. and Quality Assurance Dept.; Deputy Division Chief, Administration Div.
Yoshifumi Ara	Operating Officer supervising Performance Materials Sales & Marketing Dept.; Deputy Executive General Manager, Performance Materials Business Div.

Shuichi Fujita	Operating Officer supervising Electronic Materials Technical Administration Dept. (principal), Electronic Materials Manufacturing Engineering Dept. and Development Support Dept. (sub); Deputy Division Chief, Electronic Materials Business Div.
Shuichi Kubota	Operating Officer supervising Corporate Strategy Dept.; Deputy Division Chief, Administration Div.
Takao Motizuki	Operating Officer supervising Manufacturing Dept. (principal); Deputy Division Chief, Manufacturing Div.
Takahito Tanabe	Operating Officer supervising Manufacturing Engineering Dept. and Manufacturing Dept. (sub); Deputy Division Chief, Manufacturing Div.
Kazumi Ikeda	Operating Officer supervising General Affairs Dept. and Human Resources Dept.; Deputy Division Chief, Administration Div.

8. 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 Hisashi Masumura, 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 Resources 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 seven 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	Seven (7) times	Seven (7) times
Koichi Sakai	Seven (7) times	Seven (7) times
Shinjiro Kawai	Seven (7) times	Seven (7) times

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, two (2) 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 seven (7) certified public accountants, five (5) of those who passed the certified public accountant examination, etc. and five (5) 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	38,000	—	40,000	—
Consolidated subsidiaries	—	—	—	—
Total	38,000	—	40,000	—

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	2,875	1,706	3,134	1,299
Total	2,875	1,706	3,134	1,299

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) Policy of Determination on Amount of Remuneration, etc. of Directors and Corporate Auditors

The Company has established the Assignment and Remuneration Advisory Committee where an independent Outside Director is a chairperson and the majority of the committee members are independent Outside Directors 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 policy for determining the details of individual remuneration for Directors is determined at the Board of Directors based on deliberations and reports by the Assignment and Remuneration Advisory Committee.

Summary of the Policy of Determination on Amount of Remuneration, etc. is as follows.

a. Basic Guidelines for Remuneration System for Directors

- 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 basic 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. Remuneration Structure

Under the policy above, the remuneration structure for Executive Directors is constituted of basic remuneration as fixed remuneration, performance-based remuneration linked to the previous year's performance, etc., and stock-based compensation for the purpose of sharing interests with shareholders (restricted stock-based compensation). The remuneration ratio by type of Executive Directors is as follows; basic remuneration: performance-based remuneration: stock-based compensation = 5 : 3 : 2 (in the case of 100% achievement of KPI). Outside Directors who assume a role of supervisory function is paid only basic remuneration in consideration of their duty. Basic remuneration and performance-based remuneration reflecting the previous year's performance is paid monthly and restricted stock-based compensation is paid yearly at fixed time.

2) Details, Reasons for Selection, and Performance and Calculation Method of Indicators (KPI) for Performance-Based Remuneration

The Key Performance Indicators (KPI) for performance-based remuneration are consolidated operating income for a single year and such remuneration is divided and paid equally based on the previous year's performance during the period of execution of duties thereof. The reasons for selecting such Indicators is that they are a financial indicator which represents the result of primary business activities of companies and which is also used in the bonus system for employees and that they are important to keep consistency between both systems. The actual result for that was 3,118 million yen.

Out of amount of carbon dioxide emission reduction held up in our Carbon Neutral Project, the Company will add goal attainment levels with respect to reduced usage resulted from improving energy use efficiency to the Performance Indicators from 2022, and will reflect them in remuneration from July, 2023.

3) Details of Stock-Based Compensation (Non-Monetary Remuneration)

Stock-based compensation (non-monetary remuneration) shall be restricted stock-based compensation, and is programmed to lift restrictions of transfer upon retirement for the purpose of building awareness of contribution to sustainably increasing corporate value of the Company by clarifying the linkage between the Company's stock value and compensation and sharing returns and risks due to fluctuations in the value of stocks with shareholders. Furthermore, the Company issues to Executive Directors monetary compensation claim to grant restricted stocks each year and each Executive Director pays all of such monetary claims as contributed properties in kind and receives issuance or disposal of the Company's common shares. The number of shares to be allocated to each Executive Director corresponding to individually determined base amount is determined by the Board of Directors based on the report of the Assignment and Remuneration Advisory Committee. The payment 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 date of the resolution by the Board of Directors (if no transaction is made on that day, the closing price on the trading date immediately before that day).

4) Matters Relating to Determining Details of Individual Remuneration, etc. for Directors

The Assignment and Remuneration Advisory Committee shall be consulted on individual remuneration based on the resolution at the Board of Directors' Meeting. The details of remuneration shall be consisted of 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 determine pursuant to the report of the Assignment and Remuneration Advisory Committee.

With regard to stock-based compensation, the Board of Directors determines the details of individual remuneration such as the number of shares to be allocated, etc. based on the report of the Assignment and Remuneration Advisory Committee.

5) Reasons for the Board of Directors' Judgement that the Details of Individual Remuneration, etc. for the Company's Directors Comply with the Policy for Determination

The Board of Directors has judged that the details of individual remuneration, etc. for the Company's Directors comply with the policy for determination, because the Assignment and Remuneration Advisory Committee considers multilaterally the consistency between the details of the remuneration system for the Company's Directors and the policy for determination.

The Assignment and Remuneration Advisory Committee verifies the validity thereof through an objective and multifaceted benchmark analysis of remuneration based on "Management Remuneration Database" run by an outside remuneration consultant (WTW; Willis Towers Watson).

6) Activity Status of the Assignment and Remuneration Advisory Committee in the Determination Process of Individual Remuneration, etc. for the Company's Directors

The Assignment and Remuneration Advisory Committee was held four times for the current business year and a chairperson and committee members were all present at each meeting. The composition of the Assignment and Remuneration Advisory Committee in the determination process of individual remuneration, etc. for the Company's Directors is as follows.

Period	Committee Members	
To the Ordinary General Meeting of Shareholders on June, 2021	Yutaka Tsukahara	Outside Director (Chairperson)
	Koji Nakamura	Outside Director
	Kazuo Abiko	Outside Director
	Yuta Arisawa	President and Representative Director
From the Ordinary General Meeting of Shareholders on June, 2021 to the Ordinary General Meeting of Shareholders on June, 2022	Koji Nakamura	Outside Director (Chairperson)
	Yutaka Tsukahara	Outside Director
	Kazuo Abiko	Outside Director
	Hirotohi Takada	Outside Director
	Miho Numata	Outside Director
	Yuta Arisawa	President and Representative Director

7) 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.

8) 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 (inside Director only) who retired at the conclusion of the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021.

2. The details of non-monetary remuneration, etc. are restricted stock-based compensation and the amount recorded as expenses in the current business year is shown.

9) Date and Content of 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 the total amount of remuneration for Directors should be no more than 30 million yen per month and the total amount of remuneration for Corporate Auditors should be no more than 3 million yen per month. The number of Directors or Corporate Auditors at the conclusion of this Ordinary General Meeting of Shareholders is nine Directors (including five Outside Directors) and three Corporate Auditors (one full-time Corporate Auditor and two Outside Corporate Auditors).

It was resolved at the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021 that remuneration provided to grant restricted stocks shall be not more than ¥50 million per year and the number of common shares of the Company shall be not more than 50,000 shares and that a transfer restriction period shall be from the payment due date of the Company's common shares allotted under the restricted stock allotment agreement to the point of time immediately after the time of retirement from the position predetermined by the Company's Board of Directors among the positions of officers and employees of the Company or its subsidiaries. The number of Directors or Corporate Auditors at the conclusion of this Ordinary General Meeting of Shareholders is nine Directors (inside Directors only).

(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 2022, 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 all listed 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	59,117
Stock other than unlisted stock	9	1,764,576

(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	8	522,506

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.	299,700	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 : As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	623,675	903,762		
Fujikura Ltd.	576,500	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.	No
	360,312	447,160		
Mitsubishi Electric Corporation	192,500	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
	271,425	463,787		

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)		
The Hachijuni Bank, Ltd.	406,813	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
	165,572	234,188		
NOK Corporation	92,900	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.	No
	106,556	199,182		
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
	106,350	136,500		
Daishi Hokuetsu Financial Group, Inc.	34,962	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)1
	87,579	130,400		

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.	43,720	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)2
	33,240	36,933		
Sumitomo Corporation	4,655	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)3
	9,863	10,494		

- (Note) 1. Daishi Hokuetsu Financial Group, Inc. holds no shares of the Company, while The Daishi Hokuetsu Bank, Ltd., a group company of the said Group, holds shares of the Company.
2. 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.
3. 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, 2021 to March 31, 2022) and its financial statements for the current business year (From April 1, 2021 to March 31, 2022) 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, 2021)		Current consolidated fiscal year (As of March 31, 2022)	
Assets				
Current assets				
Cash and deposits	*2	13,215,508	*2	17,341,765
Notes, accounts receivable-trade and contract assets		—		16,073,835
Notes and accounts receivable- trade		16,766,218		—
Securities		1,242,430		1,040,342
Merchandise and finished goods		3,896,377		4,401,727
Work in process		2,175,632		2,112,503
Raw materials and supplies		3,026,247		4,123,818
Income taxes receivable		1,415,974		—
Other		778,645		797,960
Allowance for doubtful accounts		△161,830		△15,947
Total current assets		42,355,204		45,876,007
Non-current assets				
Property, plant and equipment				
Buildings and structures		20,846,998		21,307,346
Accumulated depreciation		△14,701,594		△15,245,779
Buildings and structures, net	*2	6,145,403	*2	6,061,567
Machinery, equipment and vehicles		30,457,713		30,636,775
Accumulated depreciation		△26,585,177		△27,199,168
Machinery, equipment and vehicles, net	*2	3,872,536	*2	3,437,606
Land	*2	1,888,569	*2	1,889,417
Construction in progress		293,853		1,180,188
Other		3,225,023		3,544,674
Accumulated depreciation		△2,207,990		△2,338,379
Other, net	*2	1,017,032	*2	1,206,294
Total property, plant and equipment		13,217,395		13,775,074
Intangible assets		244,870		279,191
Investments and other assets				
Investment securities	*1	10,666,038	*1	7,875,645
Long-term loans receivable		67,179		51,785
Deferred tax assets		208,316		359,450
Other	*2	513,336	*2	522,473
Allowance for doubtful accounts		△14,923		△50,428
Total investments and other assets		11,439,946		8,758,926
Total non-current assets		24,902,213		22,813,192
Total assets		67,257,417		68,689,199

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,657,426	5,637,609
Current portion of bonds	36,800	26,800
Short-term loans payable	*2, *3 3,606,087	*2, *3 3,562,272
Current portion of long-term loans payable	*2 182,724	*2 957,962
Lease obligations	87,885	118,578
Income taxes payable	277,821	1,087,828
Provision for product warranties	70,263	73,525
Provision for bonuses	535,756	507,532
Provision for directors' bonuses	3,870	4,503
Other	2,659,623	3,214,127
Total current liabilities	14,118,258	15,190,739
Non-current liabilities		
Bonds payable	54,400	27,600
Long-term loans payable	*2 3,761,507	*2 3,845,199
Provision for retirement benefits	—	29,802
Lease obligations	487,985	556,302
Deferred tax liabilities	593,992	250,681
Net defined benefit liability	607,032	583,365
Asset retirement obligations	89,466	92,521
Other	99,956	147,282
Total non-current liabilities	5,694,340	5,532,757
Total liabilities	19,812,598	20,723,496
Net assets		
Shareholders' equity		
Capital stock	7,623,638	7,643,777
Capital surplus	4,403,396	3,017,461
Retained earnings	33,374,092	34,936,822
Treasury stock	△1,159,364	△299,704
Total shareholders' equity	44,241,763	45,298,357
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,569,049	1,229,118
Deferred gains or losses on hedges	△8,237	△50,146
Foreign currency translation adjustment	486,242	1,317,978
Remeasurements of defined benefit plans	△3,959	△8,734
Total accumulated other comprehensive income	2,043,095	2,488,215
Share acquisition rights	193,962	149,131
Non-controlling interests	965,997	29,998
Total net assets	47,444,819	47,965,702
Total liabilities and net assets	67,257,417	68,689,199

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, 2020 to March 31, 2021)		Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
Net sales		46,439,548		43,089,576
Cost of sales	*2, *3	38,501,052	*2, *3	34,422,042
Gross profit		7,938,496		8,667,533
Selling, general and administrative expenses				
Freightage and packing expenses		723,915		776,839
Salaries and allowances		1,587,133		1,847,331
Provision for bonuses		130,417		136,860
Provision for directors' bonuses		3,870		4,503
Retirement benefit expenses		86,200		72,589
Provision of allowance for doubtful accounts		4,292		6,504
Other		2,284,179		2,501,959
Total selling, general and administrative expenses	*2	4,820,009	*2	5,346,587
Operating income		3,118,486		3,320,946
Non-operating income				
Interest income		271,613		186,541
Dividends income		88,170		74,377
Foreign exchange gains		206,698		445,378
Gain on redemption of investment securities		48,371		213,189
Other		309,697		237,934
Total non-operating income		924,550		1,157,421
Non-operating expenses				
Interest expenses		110,687		120,717
Commission for purchase of consolidated subsidiaries shares		49,024		27,773
Rent expenses		109,759		82,617
Other		195,482		42,768
Total non-operating expenses		464,954		273,875
Ordinary income		3,578,083		4,204,492
Extraordinary income				
Gain on sales of non-current assets	*4	515	*4	7,566
Gain on sales of investment securities	*6	323,156	*6	809,606
Other		27,550		45,938
Total extraordinary income		351,222		863,110
Extraordinary losses				
Impairment loss	*7	69,684	*7	12,928
Loss on retirement of non-current assets	*5	29,331	*5	42,774
Provision for share-based remuneration		—		14,098
Loss on sales of investment securities		313,624		32,110
Total extraordinary losses		412,640		101,911
Income before income taxes		3,516,666		4,965,691
Income taxes – current		456,889		1,156,959
Income taxes – deferred		461,375		△195,472
Total income taxes		918,265		961,486
Profit		2,598,400		4,004,205
Profit attributable to non-controlling interests		437,760		93,204
Profit attributable to owners of the parent		2,160,640		3,911,000

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Profit	2,598,400	4,004,205
Other comprehensive income		
Valuation difference on available-for-sale securities	1,120,090	△339,881
Deferred gains or losses on hedges	△6,925	△41,908
Foreign currency translation adjustment	△42,333	888,805
Remeasurements of defined benefit plans, net of tax	137,301	△4,775
Share of other comprehensive income of entities accounted for using equity method	1,721	24,013
Total other comprehensive income	* 1,209,853	* 526,253
Comprehensive income	3,808,254	4,530,458
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,418,538	4,356,120
Comprehensive income attributable to non-controlling interests	389,715	174,337

3) Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
 Previous 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
Cumulative effects of changes in accounting policies					
Restated balance	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 stock				△334	△334
Retirement of treasury stock			△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
Cumulative effects of changes in accounting policies								
Restated balance	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 stock								△334
Retirement of treasury stock								—
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

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	7,623,638	4,403,396	33,374,092	△1,159,364	44,241,763
Cumulative effects of changes in accounting policies			39,939		39,939
Restated balance	7,623,638	4,403,396	33,414,032	△1,159,364	44,281,702
Changes of items during the period					
Issuance of new shares	20,139	20,139			40,278
Dividends from surplus			△1,466,926		△,466,926
Profit attributable to owners of the parent			3,911,000		3,911,000
Purchase of treasury stock				△82,621	△82,621
Disposal of treasury stock			△2,973	23,971	20,997
Retirement of treasury stock			△918,310	918,310	—
Purchase of shares of consolidated subsidiaries		△1,406,074			△1,406,074
Net changes of items other than shareholders' equity					
Total changes of items during the period	20,139	△1,385,935	1,522,790	859,660	1,016,654
Balance at end of current period	7,643,777	3,017,461	34,936,822	△299,704	45,298,357

	Valuation difference on available-for-sale securities	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
		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	1,569,049	△8,237	486,242	△3,959	2,043,095	193,962	965,997	47,444,819
Cumulative effects of changes in accounting policies								39,939
Restated balance	1,569,049	△8,237	486,242	△3,959	2,043,095	193,962	965,997	47,484,758
Changes of items during the period								
Issuance of new shares								40,278
Dividends from surplus								△1,466,926
Profit attributable to owners of the parent								3,911,000
Purchase of treasury stock								△82,621
Disposal of treasury stock								20,997
Retirement of treasury stock								—
Purchase of shares of consolidated subsidiaries								△1,406,074
Net changes of items other than shareholders' equity	△339,930	△41,908	831,735	△4,775	445,120	△44,831	△935,998	△535,710
Total changes of items during the period	△339,930	△41,908	831,735	△4,775	445,120	△44,831	△935,998	480,944
Balance at end of current period	1,229,118	△50,146	1,317,978	△8,734	2,488,215	149,131	29,998	47,965,702

4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Income before income taxes	3,516,666	4,965,691
Depreciation	2,107,827	2,170,976
Impairment loss	69,684	12,928
Share-based compensation expenses	73,411	33,103
Increase (decrease) in provision for product warranties	△83	△5,754
Increase (decrease) in provision for bonuses	△34,761	△28,223
Increase (decrease) in provision for directors' bonuses	△923	633
Increase (decrease) in allowance for doubtful accounts	35,975	16,261
Increase (decrease) in provision for share-based remuneration	—	56,854
Increase (decrease) in net defined benefit liability	65,982	△30,538
Interest and dividends income	△359,784	△260,918
Subsidy income	△147,490	△69,973
Interest expenses	110,687	120,717
Bad debts expenses	29,048	5,424
Foreign exchange losses (gains)	△229,332	△397,726
Share of (profit) loss of entities accounted for using equity method	46,062	15,342
Loss (gain) on sales of investment securities	△9,532	△777,496
Loss (gain) on redemption of investment securities	2,304	211,764
Loss (gain) on sales of non-current assets	△515	△7,566
Loss on retirement of property, plant and equipment	6,255	18,337
Gain on reversal of share acquisition rights	△27,550	△45,938
Decrease (increase) in notes and accounts receivable-trade	985,325	1,597,125
Decrease (increase) in inventories	△799,651	△1,486,568
Increase (decrease) in notes and accounts payable-trade	△283,709	△1,268,486
Increase (decrease) in accrued consumption taxes	△163,601	108,975
Decrease (increase) in other assets	△159,878	80,366
Increase (decrease) in other liabilities	353,207	201,045
Subtotal	5,185,625	4,782,141
Interest and dividends income received	410,659	294,691
Interest expenses paid	△162,805	△135,227
Income taxes (paid) refund	△4,970,454	889,594
Proceeds from subsidy income	147,490	69,973
Net cash provided by (used in) operating activities	610,515	5,901,174

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from investing activities		
Payments into time deposits	△1,771,360	—
Proceeds from withdrawal of time deposits	200,000	1,673,970
Purchase of securities	△900,000	—
Proceeds from sales of securities	1,100,000	—
Purchase of property, plant and equipment	△1,908,002	△1,907,427
Proceeds from sales of property, plant and equipment	1,097	10,909
Purchase of intangible assets	△75,825	△99,703
Purchase of investment securities	△672,081	△103,247
Proceeds from sales of investment securities	5,610,543	3,339,166
Payments of loans receivable	△29,000	△91,234
Collection of loans receivable	41,020	87,427
Decrease (increase) in other investments	△29,040	△40,393
Net cash provided by (used in) investing activities	1,567,351	2,869,467
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△1,281,546	△324,835
Proceeds from long-term loans payable	1,681,977	1,269,158
Repayments of long-term loans payable	△478,069	△798,849
Repayments of lease obligations	△64,882	△81,838
Payments for long-term accounts payable - other	△99,170	△50,805
Redemption of bonds	△36,800	△36,800
Proceeds from issuance of common shares	50,032	34,021
Purchase of treasury stock	△334	△82,621
Cash dividends paid	△995,340	△1,463,025
Cash dividends paid to non-controlling interests	△155,966	△68,154
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△4,324,082	△2,439,158
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	△5,703,182	△4,042,908
Effect of exchange rate change on cash and cash equivalents	287,618	677,087
Net increase (decrease) in cash and cash equivalents	△3,237,696	5,404,820
Cash and cash equivalents at beginning of period	14,725,985	11,488,288
Cash and cash equivalents at end of period	*1 11,488,288	*1 16,893,109

[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:

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 (Kashiwa Seiki Co., Ltd.) 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 other than stocks and others without a quoted market price:

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

Stocks and others without a quoted market price:

Stated at average cost.

2) Derivative financial instruments

Stated at fair market value.

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 share-based remuneration

As a reserve for the Company's stock benefit to employees under the stock benefit regulations, it is allocated based on the expected aggregate amount of share benefit obligation as of the end of the current consolidated fiscal year.

5) 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 recording important revenues and expenses

Notes on the standards for recording important revenues and expenses are omitted as the same details are shown in “Notes (For Revenue Recognition) 2. Basic Information for understanding revenue from contracts with customers” of Consolidated Financial Statements.

(6) 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.

(7) 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.

(8) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over a five (5)-year period.

(9) 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.

(10) Other important matters concerning preparation of consolidated financial statements

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:

(Thousands of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Loss on valuation of inventory	15,419	37,819
Merchandise and finished goods	324,702	292,638
Work in process	157,010	109,095

(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 including the influence of international situation in Ukraine.

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.

(Changes in Accounting Policies)

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

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. have been applied from the current consolidated fiscal year and the Company recognizes revenue at the amount expected to be received in exchange for goods or services when control of the promised goods or services is transferred to customers.

As a result, for transactions where the role of the Company falls under an agent of sales of products to customers, the total amount of considerations received from customers have previously been recognized as revenue, but the method has been changed to recognize revenue at the net amount, subtracting the amount paid to third parties from the total amount of considerations. In addition, with regard to buy-sell transactions in which the Company provides parts to suppliers with compensation and bears a repurchase obligation, the amount equivalent to the ending inventory of the provided parts retained by suppliers are recognized as liabilities pertaining to buy-sell transactions. Furthermore, with regard to buy-sell transactions in which the Company purchases parts from suppliers and bears a sell-back obligation, sales and cost of goods sold have previously been recorded at the time of sell-back to suppliers of parts, but the method has been changed to recognize only the net amount equivalent to processing cost as revenue. Moreover, for sales to some customers, in connection with transfer of control over assets to customers over time, the method of recognizing revenue over time according to the progress of manufacture was adopted.

For the application of the Revenue Recognition Accounting Standard, etc., the Company complies with the transitional treatment set forth in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects resulting from retroactive application of the new accounting policy before the beginning of the current consolidated fiscal year were added to or subtracted from retained earnings at the beginning of the current consolidated fiscal year and the new accounting policy has been applied from the beginning balance; provided, However, that by applying the method set forth in paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy has not been retroactively applied to contracts for which almost all revenue has been recognized in accordance with the previous treatment before the beginning of current consolidated fiscal year. With respect to contract amendments which were made before the beginning of the current consolidated fiscal year,

accounting treatment was made under the terms of contract after all contract amendments were reflected by applying the method set forth in paragraph 86, item (1) of the Revenue Recognition Accounting Standard and the cumulative effects were added to or subtracted from retained earnings at the beginning of the current consolidated fiscal year.

As a result, in the current consolidated fiscal year, sales decreased by 3,575,029 thousand yen, cost of sales decreased by 3,546,941 thousand yen, and operating income, ordinary income and income before income taxes decreased by 28,087 thousand yen respectively. The balance of retained earnings at the beginning of the current quarter increased by 39,939 thousand yen.

As the Revenue Recognition Accounting Standard, etc. have been applied, “notes and accounts receivable” indicated in “current assets” in the consolidated balance sheet for the previous consolidated fiscal year is presented in “notes receivable, accounts receivable and contract assets” from the current consolidated fiscal year. In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Accounting Standards, reclassification has not been made by the new presentation method regarding the previous consolidated fiscal year. In addition, in accordance with the transitional treatment set forth in paragraph 89-3 of the Revenue Recognition Accounting Standards, “Notes (For Revenue Recognition)” for the previous consolidated fiscal year were not stated.

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

“Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Standard”), etc. have been applied from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan Statement No. 10, July 4, 2019), the new accounting policy set forth in the Fair Value Measurement Standard, etc. was applied prospectively. There is no impact due to this application.

Notes were also made on “Matters Concerning Breakdown by Level of the Fair Values of Financial Instruments” in “Notes Related to Financial Instruments”. However, in accordance with the transitional treatment set forth in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (Accounting Standards Board of Japan Guidance No.19, July 4, 2019), the notes related to the previous consolidated fiscal year was not stated.

(Accounting Standards etc. not yet applied)

Accounting standard, etc. for calculating fair value

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No.31, June 17, 2021)

(1) Overview

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No.31) had been intended to be studied over a year after its issuance because, at the time of issuance on July 4, 2019, reviewing “Fair Value Measurement of Investment Trust” had been thought to need a certain period of time for discussion with parties involved and notes on fair value in “Investments in Partnerships, etc. Which Record an Amount Corresponding to Equity Holding at a Net Amount in Balance Sheets” had required a certain consideration, but such Guidance was revised and issued on June 17, 2021.

(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 “Implementation Guidance on Accounting Standard for Fair Value Measurement,” on the consolidated financial statements is currently under evaluation.

(Changes in Presentation)

< Consolidated Balance Sheets >

“Provision for product warranties”, which was presented as part of “Other” in “Current liabilities” in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise 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, 2,729,887 thousand yen of “Other”, listed within “Current liabilities” in the consolidated balance sheets for the previous consolidated fiscal year, has been reclassified into the combination of 70,263 thousand yen of “Provision for product warranties” and 2,659,623 thousand yen of “Other”.

< Consolidated Statements of Income >

1. “Subsidy 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, 147,490 thousand yen of “Subsidy 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. “Gain on redemption of investment securities”, 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, 210,578 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 48,371 thousand yen of “Gain on redemption of investment securities” and 309,697 thousand yen of “Other” (including a reclassification of 147,490 thousand yen from Subsidy income in 1).
3. “Loss on redemption of investment securities”, 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, 50,675 thousand yen of “Loss on redemption of investment securities”, 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 retirement of non-current assets”, 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, 29,331 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 29,331 thousand yen of “Loss on retirement of non-current assets”.

(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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Investment securities (Stock)	318,210	357,566

*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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Cash and deposits	25,760 (---)	--- (---)
Buildings and structures	3,652,513 (2,757,742)	3,766,813 (2,917,071)
Machinery, equipment and vehicles	948,440 (831,156)	948,214 (903,157)
Property, plant and equipment (Other)	98,159 (57,451)	129,106 (84,636)
Land	558,408 (199,190)	558,408 (199,190)
Investments and other assets (Other)	20,976 (---)	27,939 (---)
Total	5,304,257 (3,845,541)	5,430,481 (4,104,056)

Secured liabilities are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Short-term loans payable	946,514 (---)	982,972 (---)
Current portion of long-term loans payable	182,724 (133,332)	722,870 (680,558)
Long-term loans payable	729,174 (680,558)	6,304 (---)
Total	1,858,412 (813,890)	1,712,146 (680,558)

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

*3 The Submitting Company has 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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Total amount of a loan commitment agreement	1,200,000	—
Aggregate overdraft limit	6,300,000	6,000,000
Drawdowns	—	—
Balance of unexecuted loans	7,500,000	6,000,000

(Notes Related to Consolidated Statements of Income)

*1 Revenue from contracts with customers

With regard to net sales, revenue from contracts with customers and other revenues are not separately stated. The amount of the revenue from contracts with customers is stated in “Notes (For Revenue Recognition) 1. Information on the breakdown of revenue from contracts with customers” of Consolidated Financial Statements.

*2 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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
1,905,553	1,926,483

*3 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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
△150,707	103,982

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

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)	
Machinery, equipment and vehicles	515	7,566

*5 The loss on retirement of non-current assets is due mainly to the retirement of buildings.

*6 The gain on sale of investment securities is due mainly to the sale of cross-shareholdings.

*7 Impairment loss

Previous 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 previous 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
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.

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.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

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.	12,928

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, 12,928 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 11,686 thousand yen of machinery, equipment and vehicles, and 1,242 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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year	1,617,700	499,596
Reclassification adjustment	△6,227	△989,261
Before tax effects	1,611,473	△489,665
Tax effects	△491,383	149,783
Valuation difference on available-for-sale securities	1,120,090	△339,881
Deferred gains or losses on hedges:		
Amount arising in the current fiscal year	△12,404	△75,510
Reclassification adjustment	1,975	12,404
Before tax effects	△10,429	△63,106
Tax effects	3,503	21,197
Deferred gains or losses on hedges	△6,925	△41,908
Foreign currency translation adjustment:		△
Amount arising in the current fiscal year	△42,333	888,805
Remeasurements of defined benefit plans, net of tax:		
Amount arising in the current fiscal year	92,602	△28,500
Reclassification adjustment	104,953	21,628
Before tax effects	197,555	△6,871
Tax effects	△60,254	2,095
Remeasurements of defined benefit plans, net of tax	137,301	△4,775
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising in the current fiscal year	1,721	24,013
Total other comprehensive income	1,209,853	526,253

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

Previous 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

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, 2021	Common stock	1,300,039	Retained earnings	39.00	March 31, 2021	June 28, 2021

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

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)	34,470,524	44,300	900,000	33,614,824
Total	34,470,524	44,300	900,000	33,614,824
Treasury stock				
Common stock (See Note 3,4)	1,136,189	89,221	923,835	301,575
Total	1,136,189	89,221	923,835	301,575

- Note:
1. The increase of 44,300 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 decrease of 900,000 shares in the number of shares issued and outstanding (common stock) is due to the retirement of treasury stock.
 3. The increase of 89,221 shares in the number of shares of treasury stock (common stock) is due to an increase of 221 shares resulting from the purchase of shares constituting less than one full unit and an increase of 88,900 shares resulting from the acquisition of treasury stock by a trust account for employee stock ownership plan.
 4. The decrease of 923,835 shares in the number of shares of treasury stock (common stock) is due to a decrease of 900,000 shares resulting from the retirement of treasury stock, a decrease of 23,435 shares resulting from the disposal of treasury stock as restricted stock-based compensation, and a decrease of 400 shares resulting from granting to eligible persons by a trust account for employee stock ownership plan.
 5. 88,600 shares of the Company which a trust account for employee stock ownership plan holds are included in the row "Number of shares at the end of the current consolidated fiscal year" 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	---	---	---	---	---	149,131
Total		---	---	---	---	---	149,131

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, 2021	Common stock	1,300,039	39.00	March 31, 2021	June 28, 2021
Board of Directors of October 28, 2021	Common stock	166,887	5.00	September 30, 2021	December 2, 2021

Note: "Total amount of dividends" under a resolution at the Board of Directors' Meeting of October 28, 2021 includes the dividends of 444 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

(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 28, 2022	Common stock	3,006,166	Retained earnings	90.00	March 31, 2022	June 29, 2022

Note: "Total amount of dividends" includes the dividends of 7,974 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Cash and deposits	13,215,508	17,341,765
Time deposits with a deposit term of more than three months	△2,085,650	△522,390
Securities (Money management fund)	358,429	73,733
Cash and cash equivalents	11,488,288	16,893,109

2 The details of material non-cash transactions

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

No applicable matter.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

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.

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

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
Securities and investment securities(*3)	11,498,297	11,498,297	—
Total assets	11,498,297	11,498,297	—
(Long-term loans payable (*2))	3,944,231	3,946,090	1,859
Total liabilities	3,944,231	3,946,090	1,859

(*1) With regard to “Cash and deposits”, “Notes and accounts receivable-trade”, “Income taxes receivable”, “Notes and accounts payable-trade”, and “Short-term loans payable”, statement is omitted as they are cash and the fair value of these items approximates their respective book values due to their short maturities.

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

(*3) 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 “Securities and investment securities”.

The amount of such instruments shown on the consolidated balance sheets is as follows.

(Thousands of yen)

Category	Previous consolidated fiscal year
Unlisted stock, etc.	410,171

Current consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
Securities and investment securities(*3)	8,499,304	8,499,304	—
Total assets	8,499,304	8,499,304	—
Long-term loans payable (*2)	4,803,162	4,813,217	10,055
Total liabilities	4,803,162	4,813,217	10,055

(*1) With regard to “Cash and deposits”, “Notes and accounts receivable-trade”, “Income taxes receivable”, “Notes and accounts payable-trade”, “Short-term loans payable”, and “Income taxes payable”, statement is omitted as they are cash and the fair value of these items approximates their respective book values due to their short maturities.

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

(*3) 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 “Securities and investment securities”.

The amount of such instruments shown on the consolidated balance sheets is as follows.

(Thousands of yen)

Category	Previous consolidated fiscal year
Unlisted stock, etc.	416,683

Note: 1. 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, 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

Current consolidated fiscal year (As of March 31, 2022) (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	17,335,701	—	—	—
Notes and accounts receivable—trade	15,971,983	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	—	—	—	—
(2) Corporate bonds	952,805	3,166,732	1,014,867	258,854
(3) Other	7,649	169,310	388,840	49,883
Total	34,268,140	3,336,042	1,403,708	308,738

2. 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, 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

Current consolidated fiscal year (As of March 31, 2022)

(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	3,562,272	—	—	—	—	—
Long-term loans payable	957,962	1,506,557	885,705	718,181	606,564	128,190
Total	4,520,235	1,506,557	885,705	718,181	606,564	128,190

3. Matters concerning breakdown, etc. by level of fair values of financial instruments

The fair values of financial instruments are classified into the following three levels in accordance with the observability and significance of inputs used in the fair value measurement.

Level 1 fair value: Fair values measured by quoted prices of the assets or liabilities being measured which are formed in active markets among inputs for observable fair value measurement.

Level 2 fair value: Fair values measured by inputs for fair value measurement other than those for Level 1 among inputs for observable fair value measurement.

Level 3 fair value: Fair values measured by inputs for unobservable fair value measurement.

When multiple inputs which significantly affect fair value measurement are used, the fair values are classified into the lowest level of priority in fair value measurement, choosing from among the respective levels those inputs belong to.

(1) Financial instruments shown at fair value on the consolidated balance sheets

Current consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity Shares	1,764,576	—	—	1,764,576
Corporate bonds	—	5,845,322	—	5,845,322
Other	—	889,405	—	889,405
Total assets	1,764,574	6,734,728	—	8,499,304

(2) Financial instruments other than those shown at fair value on the consolidated balance sheets

Current consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	—	4,813,217	—	4,813,217
Total liabilities	—	4,813,217	—	4,813,217

(Notes) Description of the valuation techniques used in the fair value measurement and the inputs for the fair value measurement

Securities and investment securities

Listed stocks, bonds and others are evaluated with quoted market prices. As the listed stocks are traded on active markets, their fair value is classified into the level 1 fair value. On the other hand, as the bonds and others that the Company holds are traded less frequently and not regarded as quoted market prices in active markets, their fair value is classified into the level 2 fair value.

Long-term loans payable

As the fair value of these loans is measured with the discounted present value method based on the sum of the principal and the interest rate with the residual period of the liabilities and credit risk added, it is classified into the level 2 fair value.

(Notes Related to Securities)

1. Available-for-sale securities

Previous 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

Current consolidated fiscal year (As of March 31, 2022)

(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	1,658,020	634,298	1,023,721
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	4,460,026	3,867,458	592,567
	3) Other	721,042	631,772	89,270
	(3) Other	1,146,800	1,051,519	95,280
	Subtotal	7,985,889	6,185,049	1,800,840
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	106,556	136,380	△29,823
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	288,019	292,837	△4,818
	3) Other	—	—	—
	(3) Other	118,839	123,616	△4,777
	Subtotal	513,414	552,834	△39,419
Total		8,499,304	6,737,884	1,761,420

2. Available-for-sale securities sold

Previous 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

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	1,192,231	911,858	4,053
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	1,915,602	200,758	29,481
3) Other	349,466	31,802	—
(3) Other	2,393	215	—
Total	3,459,693	1,144,634	33,535

3. Securities subject to impairment

No applicable matter.

(Notes Related to Derivative Transactions)

1. Derivative transaction not subject to hedge accounting
Previous consolidated fiscal year (As of March 31, 2021)
Statement is omitted as it is not material.

Current consolidated fiscal year (As of March 31, 2022)
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, 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.

Current consolidated fiscal year (As of March 31, 2022)

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	766,150	—	△75,510
Total			766,150	—	△75,510

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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Balance of retirement benefit obligations at the beginning of year	4,584,049	4,729,106
Service cost	277,353	268,754
Interest cost	13,642	14,066
Actuarial differences generated	△11,393	22,701
Retirement benefits paid	△134,544	△173,869
Balance of retirement benefit obligations at the end of year	4,729,106	4,860,759

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

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Balance of plan assets at the beginning of year	3,845,442	4,122,074
Expected return on plan assets	38,454	41,220
Actuarial differences generated	81,208	△5,798
Employer contributions	291,207	293,768
Retirement benefits paid	△134,238	△173,869
Balance of plan assets at the end of year	4,122,074	4,277,395

(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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Retirement benefit obligations under the funded plans	4,688,717	4,817,579
Plan assets	△4,122,074	△4,277,395
	566,642	540,183
Retirement benefit obligations under the unfunded plans	40,389	43,180
Net amount of liability and asset shown on consolidated balance sheets	607,032	583,365
Net defined benefit liability	607,032	583,365
Net amount of liability and asset shown on consolidated balance sheets	607,032	583,365

(4) Amount of retirement benefit expenses and components thereof

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Service cost	277,353	268,754
Interest cost	13,642	14,066
Expected return on plan assets	△38,454	△41,220
Recognized actuarial loss	104,953	21,628
Retirement benefit expenses incurred under defined benefit scheme	357,495	263,228

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Actuarial differences		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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Unrecognized actuarial differences	△5,696	△12,568

(7) Matters concerning plan assets

1) Rough breakdown of plan assets

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

	Previous consolidated fiscal year (As of March 31, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Life insurance company general accounts	51%	51%
Trust bank special accounts	25%	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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Discount rate	0.3%	0.3%
Expected long-term rate of return on plan assets	1.0%	1.0%
Expected rates of salary increase	1.1~2.8%	1.1~2.8%

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 78,147 thousand yen for the previous consolidated fiscal year (From April 1, 2020 to March 31, 2021) and 83,746 thousand yen for the current consolidated fiscal year (From April 1, 2021 to March 31, 2022).

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Share-based compensation expenses in cost of sales and selling, general and administrative expenses	73,411	17,355

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

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Gain on reversal of share acquisition rights	27,550	45,938

3. Outline and scale of stock options and changes

(1) Submitting Company

1) Outline of stock options

	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, 2022) are covered, with the number of stock options stated in terms of shares of stock.

(a) Number of stock options

	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	69,800	75,000	226,100
Vested	—	—	—
Exercised	19,800	10,000	—
Forfeited	50,000	45,000	12,100
Exercisable	—	20,000	214,000

	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	—	—	55,000
Granted	—	—	—
Forfeited	—	—	45,000
Vested	—	—	10,000
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	75,000	248,100	—
Vested	—	—	10,000
Exercised	—	—	10,000
Forfeited	45,000	14,600	—
Exercisable	30,000	233,500	—

	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	266,000	55,000	270,300
Granted	—	—	—
Forfeited	9,500	45,000	150,000
Vested	265,500	—	—
Outstanding	—	10,000	120,300
After vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Vested	256,500	—	—
Exercised	4,500	—	—
Forfeited	5,000	—	—
Exercisable	247,000	—	—

(b) Unit price information

		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	962	—
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)	—	—	983
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)	1,012	—	—
Fair value at the grant date	(Yen)	168	171	171

4. 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	Current consolidated fiscal year
	(As of March 31, 2021)	(As of March 31, 2022)
Deferred tax assets		
Loss on valuation of investment securities	438,528	395,154
Impairment loss	447,077	363,659
Tax loss carry-forward (See Note)	367,486	334,733
Loss on valuation of inventories	171,712	204,125
Retirement allowance	185,740	176,702
Provision for bonuses	164,585	157,129
Allowance for doubtful accounts	166,679	111,772
Other	322,626	506,684
Deferred tax assets subtotal	2,264,438	2,249,962
Valuation allowance related to Tax loss carry-forward (See Note)	△356,355	△334,733
Valuation allowance related to the total of deductible temporary differences etc.	△1,214,042	△1,060,251
Valuation allowance subtotal	△1,570,398	△1,394,985
Deferred tax assets total	694,039	854,977
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△689,648	△540,736
Retained earnings of subsidiaries and associates	△286,290	△149,019
Other	△103,777	△56,451
Deferred tax liabilities total	△1,079,716	△746,207
Net amount of deferred tax assets (liabilities)	△385,676	108,769

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, 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.

Current consolidated fiscal year (As of March 31, 2022) (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 (※)	—	—	57,096	14,235	76,500	186,900	334,733
Valuation allowance	—	—	△57,096	△14,235	△76,500	△186,900	△334,733
Deferred tax assets	—	—	—	—	—	—	—

(※) "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, 2021)	Current consolidated fiscal year (As of March 31, 2022)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Items permanently excluded from taxable income	△2.3%	△4.9%
Valuation allowance	△2.1%	△3.6%
Retained earnings of subsidiaries and associates	2.1%	△2.8%
Special tax deductions	△0.8%	△2.6
Difference in tax rates with overseas subsidiaries	△3.9%	△2.1%
Dividends income eliminated in consolidation	2.2%	5.0
Other	0.4%	△0.1%
Effective income tax rate after tax effect accounting	26.1%	19.4%

(Business combination)

(Transactions under common control, etc.)

Acquisition of additional shares of a subsidiary

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

May 21, 2021 (Deemed acquisition date: April 1, 2021)

December 20, 2021 (Deemed acquisition date: January 1, 2022)

(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

The Company made ThinFlex Corporation a wholly-owned subsidiary through the acquisition of additional shares from non-controlling interests on May, 21, 2022 and the purchase by squeeze-out on December 20, 2021.

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	2,439,158thousand yen
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Acquisition cost	2,439,158thousand yen
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Note: The consideration for acquisition is stated as a sum of transactions on May 21, 2021 and December 20, 2021.

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

1,406,074thousand yen

Note: The amount of capital surplus is stated as a sum of transactions on May 21, 2021 and December 20, 2021.

(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

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Balance at the beginning of year	92,310	89,466
Adjustment due to lapse of time	171	174
Other increase or decrease (Δ : decrease)	Δ 3,015	2,880
Balance at the end of year	89,466	92,521

(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.

(For Revenue Recognition)

1. Information on the breakdown of revenue from contracts with customers

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Goods transferred at a point in time	29,768,120	3,239,910	2,604,011	2,065,748	37,677,790	410,644	38,088,435
Goods transferred over time	—	3,813,877	—	1,187,263	5,001,151	—	5,001,151
Revenue from contracts with customers	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	410,644	43,089,576
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	410,644	43,089,576

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.

2. Basic information for understanding revenue from contracts with customers

Our Group recognizes revenue based on the following five-step approach.

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Our Group manufactures and sells products such as electronic materials, industrial application structural materials, electrical insulating materials, display materials, etc. to electronic parts manufacturers, information equipment manufacturers, industrial electronics manufacturers, etc. as our main customers. As our Group determines that control of the products is transferred to customers and their performance obligations are satisfied upon delivery for many of the products, revenue is recognized at that time. In domestic sales, revenue is recognized at the time of shipment if a period of time from shipment to the moment of control of the products being transferred to customers is a regular term. Moreover, our Group recognizes revenue pertaining to some of industrial application structural materials and display materials over a period of time according to the progress of performance obligations, because control of assets is transferred to customers as obligations under contracts with customers are satisfied.

With regard to determining the transaction price, our Group determines an amount by deducting price reduction, product returns, etc. from promised considerations in contracts with customers. The considerations to performance obligations are received within one year after performance obligations are satisfied and does not include significant financing components.

With regard to buy-sell transactions which corresponds to repurchase agreements and in which the Company provides parts to suppliers with compensation and bears a repurchase obligation, as financial transactions, the provided parts retained by suppliers are recognized as inventories, and the amount equivalent to the ending inventory of the provided parts retained by suppliers are recognized as “liabilities pertaining to buy-sell transactions.” With regard to buy-sell transactions in which the Company purchases parts from suppliers and bears a sell-back obligation, only the net amount equivalent to processing cost is recognized as revenue. As for transactions where the role of the Company falls under an agent of sales of products to customers, revenue is recognized at the net amount, subtracting the amount paid to third parties from the total amount of considerations.

3. Information to understand the amount of revenues for the current consolidated fiscal year and after the next consolidated fiscal year

1) Balance, etc. of contract assets and contract liabilities

(Thousands of yen)

	Beginning of the consolidated fiscal year	End of the consolidated fiscal year
Receivables from contracts with customers		
Notes and accounts receivable - trade	16,766,218	15,971,983
Contract assets	304,849	101,852
Contract liabilities	7,238	21,162

Contract assets are related to considerations with revenue recognized but unclaimed in contracts where performance obligations are satisfied for a specific period. Contract assets are reclassified into receivables from contracts with customers at the time when rights to payment become unconditional. This is usually the time when an invoice is issued to customers.

Contract liabilities are related to the amount equivalent to the ending inventory of the provided parts retained by suppliers.

2) Transaction prices allocated to remaining performance obligations

As there are no significant contracts whose originally expected contract period lasts more than one year, our Group applies a practical expedient and omits statement with regard to transaction prices allocated to remaining performance obligations. There is also no significant amount not included in transaction prices in considerations from contracts with customers.

(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.

As stated in Changes in Accounting Policies, the Revenue Recognition Accounting Standard, etc. have been applied from the beginning of the current consolidated fiscal year and the accounting method for Revenue Recognition was changed. Accordingly, the method for measuring the income or loss of business segments was changed.

As a result, compared to a conventional method, sales of electronic materials decreased by 2,204,067 thousand yen, sales of industrial application structural materials decreased by 569,319 thousand yen, the

segment income or loss decreased by 37,425 thousand yen, sales of electrical insulating materials decreased by 17,938 thousand yen, sales of display materials decreased by 783,704 thousand yen, and the segment income or loss increased by 9,337 thousand yen.

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, 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.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(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	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	410,644	43,089,576
Inter-segment sales or transfers	—	—	—	—	—	841,914	841,914
Total	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	1,252,559	43,931,491
Segment income	2,907,853	872,934	303,709	815,392	4,899,889	172,152	5,072,042
Segment assets	35,050,267	9,028,816	2,848,872	4,213,533	51,141,489	1,239,760	52,381,249
Other							
Depreciation	1,583,170	192,068	82,494	134,192	1,991,926	23,375	2,015,301
Investment in companies accounted for under the equity method	—	—	—	212,996	212,996	—	212,996
Increase in property, plant and equipment and intangible assets	1,887,184	205,290	90,019	84,650	2,267,144	23,810	2,290,954

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	45,653,540	42,678,931
Net sales in the category "Other"	1,622,363	1,252,559
Elimination of inter-segment transactions	△836,354	△841,914
Net sales shown on the consolidated financial statements	46,439,548	43,089,576

(Thousands of yen)

Income	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	4,333,877	4,899,889
Income in the category "Other"	243,688	172,152
Elimination of inter-segment transactions	3,666	14,456
Unallocated corporate expenses (See Note)	△1,440,791	△1,725,483
Adjustment of inventories	△21,954	△40,068
Operating income shown on the consolidated financial statements	3,118,486	3,320,946

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	44,803,580	51,141,489
Assets in the category "Other"	1,280,605	1,239,760
Elimination of claims to administrative departments of the head office	△782,751	△756,467
Unallocated corporate assets (See Note)	21,977,937	17,104,485
Adjustment of inventories	△21,954	△40,068
Total assets shown on the consolidated financial statements	67,257,417	68,689,199

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	1,949,923	1,991,926	21,680	23,375	136,223	155,674	2,107,827	2,170,976
Increase in property, plant and equipment and intangible assets	1,846,886	2,267,144	74,567	23,810	298,926	77,320	2,220,379	2,368,275

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, 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

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

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	29,768,120	7,053,787	2,604,011	3,253,011	410,644	43,089,576

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
17,323,899	12,872,209	12,893,467	43,089,576

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
9,239,517	3,674,498	861,058	13,775,074

3. Information by major customer

Out of net sales to external customers, as there is no customer who accounts for 10% or more of the net sales in the consolidated statements of income, statement is omitted.

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

Previous 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

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	—	12,928	—	—	—	—	12,928

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

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

No applicable matter.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

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, 2020 to March 31, 2021)

No applicable matter.

Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)

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 an important subsidiary of the Company	Hidetaka Nonami	—	—	Director of Arisawa Fiber Glass Co., Ltd.	0.07% directly held	—	Exercise of the right of stock option	19,260	—	—

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

The table above covers the exercises in the current consolidated fiscal year of the rights of share acquisition rights granted under a resolution at the Board of Directors' Meeting of the Company of June 28, 2017 and June 27 2019.

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

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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	1,388.50 yen	1,434.46 yen
Net income per share	64.94 yen	117.40 yen
Fully diluted net income per share	64.84 yen	117.32 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, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Net income per share		
Profit attributable to owners of the parent (Thousands of yen)	2,160,640	3,911,000
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of the parent pertaining to common stock (Thousands of yen)	2,160,640	3,911,000
Average number of shares of common stock during the year	33,271,733	33,312,484
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	52,798	23,631
(Number of shares subject to stock acquisition rights included in the figure above)	(52,798)	(23,631)
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 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>	<p>Four (4) types of stock acquisition rights:</p> <p>Resolution at the Board of Directors' Meeting of June 28, 2017 (20,000 shares);</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 28, 2017 (214,000 shares);</p> <p>Resolution at the Board of Directors' Meeting of June 28, 2018 (30,000 shares); and</p> <p>Resolution at the Ordinary General Meeting of Shareholders of June 28, 2018 (233,500 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>

Note: The Company's shares which are shown as treasury stock in shareholders' equity and which a trust account for employee stock ownership plan holds are included in the number of treasury stock excluded in the calculation of the average number

of shares of common stock during the period when net income (or loss) per share is calculated (- shares for the previous consolidated fiscal year and 56,483 shares for the current consolidated fiscal year).

(Significant Subsequent Events)

The Company passed a resolution at the Board of Directors' Meeting held on May 12, 2022 on the acquisition of treasury stock under the provisions of Article 156 as applied following the deemed replacement of terms pursuant to the provisions of Article 165, paragraph 3 of the Companies Act and the retirement of treasury stock under the provisions of Article 178 of the Companies Act.

1. Reasons for the acquisition and retirement of treasury stock

To enhance shareholder returns and improve capital efficiency in accordance with the medium-term management plan.

2. Details of the matters of the acquisition of treasury stock

- | | |
|---|---|
| (1) Type of stock to be acquired | The Company's common stock |
| (2) Total number of stock for acquisition | 820,000 shares (maximum) |
| (3) Total acquisition cost of stock | 750,000,000 yen (maximum) |
| (4) Acquisition period | From May 13, 2022 to December 30, 2022 |
| (5) Acquisition method | Market purchase on the Tokyo Stock Exchange |

3. Details of the matters of the retirement of treasury stock

- | | |
|--|--|
| (1) Type of stock to be retired | The Company's common stock |
| (2) Total number of stock for retirement
acquired in 2. (2) above | Number of stock excluding 200,000 shares from the shares |
| (3) Scheduled date of the retirement | January 31, 2023 |

(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
Satosan Co., Ltd.	First series unsecured bond (Private placement bond)	March 31, 2017	30,000 (20,000)	10,000 (10,000)	0.21	None	April 15, 2022
Satosan Co., Ltd.	Second series unsecured bond (Private placement bond)	April 28, 2017	61,200 (16,800)	44,400 (16,800)	0.25	None	May 24, 2024
Total	—	—	91,200 (36,800)	54,400 (26,800)	—	—	—

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)
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	3,606,087	3,562,272	0.65	---
Current portion of long-term loans payable	182,724	957,962	0.31	---
Current portion of lease obligations	87,885	118,578	6.23	---
Long-term loans payable (excluding the current portion)	3,761,507	3,845,199	0.91	2023 to 2030
Lease obligations (excluding the current portion)	487,985	556,302	4.54	2023 to 2038
Other interest-bearing liabilities Current portion of long-term accounts payable - other	50,805	5,179	1.57	---
Other interest-bearing liabilities Long-term accounts payable - other (excluding the current portion)	5,179	—	—	---
Total	8,182,174	9,045,495	—	---

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	1,506,557	885,705	718,181	606,564
Lease obligations	117,778	120,452	98,269	55,640

[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)	10,785,102	21,744,712	32,663,855	43,089,576
Income before income taxes (Thousands of yen)	1,095,327	2,527,494	3,900,344	4,965,691
Profit attributable to owners of the parent (Thousands of yen)	777,220	1,745,834	2,971,168	3,911,000
Net income per share (Yen)	23.31	52.38	89.18	117.40

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (Yen)	23.31	29.07	36.81	28.23

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousands of yen)

	Previous business year (As of March 31, 2021)		Current business year (As of March 31, 2022)	
Assets				
Current assets				
Cash and deposits		7,427,761		7,016,148
Notes receivable-trade	*2,	283,622	*2	235,152
Accounts receivable-trade	*2	8,282,802	*2	8,544,602
Contract assets		—		101,852
Electronically recorded monetary claims-operating		165,296		230,593
Securities		1,042,117		1,040,342
Merchandise and finished goods		2,606,227		2,638,457
Work in process		1,274,119		1,001,928
Raw materials and supplies		1,373,239		1,487,412
Prepaid expenses		70,834		75,627
Accrued income	*2	44,921	*2	51,755
Income taxes receivable		1,415,974		—
Short-term loans receivable from subsidiaries and associates		1,444,915		1,396,773
Other	*2	238,897	*2	395,686
Allowance for doubtful accounts		△216,764		△306,764
Total current assets		25,453,966		23,909,569
Non-current assets				
Property, plant and equipment				
Buildings	*1	3,786,312	*1	3,672,196
Structures	*1	306,444	*1	296,510
Machinery and equipment	*1	2,204,894	*1	1,916,812
Vehicles		22,027		23,281
Tools, furniture and fixtures	*1	179,962	*1	222,721
Land	*1	1,376,078	*1	1,376,078
Lease assets		249,081		343,857
Construction in progress		34,827		232,253
Total property, plant and equipment		8,159,629		8,083,713

(Thousands of yen)

	Previous business year (As of March 31, 2019)	Current business year (As of March 31, 2020)
Intangible assets		
Software	84,562	115,929
Other	9,631	9,541
Total intangible assets	94,194	125,470
Investments and other assets		
Investment securities	9,411,949	6,526,531
Shares of subsidiaries and associates	6,438,404	11,396,735
Long-term prepaid expenses	129,160	85,211
Other	177,905	103,326
Allowance for doubtful accounts	△5,607	△5,053
Total investments and other assets	16,151,812	18,106,751
Total non-current assets	24,405,637	26,315,935
Total assets	49,859,604	50,225,504
Liabilities		
Current liabilities		
Notes payable-trade	*2 181,723	*2 117,218
Accounts payable-trade	*2 3,881,685	*2 2,610,044
Electronically recorded obligations-operating	*2 1,160,458	*2 1,427,050
Short-term loans payable	*4 500,000	*4 640,000
Current portion of long-term loans payable	*1 133,332	*1 680,558
Accounts payable-other	*2 562,781	*2 720,749
Accrued expenses	104,543	98,603
Income taxes payable	41,072	789,062
Unearned revenue	1,915	10,976
Lease obligations	51,125	81,443
Deposits received	26,603	26,924
Provision for bonuses	357,625	336,456
Other	239,488	412,002
Total current liabilities	7,242,357	7,951,091

(Thousands of yen)

	Previous business year (As of March 31, 2021)		Current business year (As of March 31, 2022)	
Non-current liabilities				
Long-term loans payable	*1	680,558	*1	—
Provision for share-based remuneration		—		29,802
Provision for retirement benefits		560,946		527,617
Provision for loss on guarantees		295,458		246,643
Lease obligations		201,485		259,755
Asset retirement obligations		28,991		29,166
Deferred tax liabilities		288,314		85,414
Other		76,848		79,982
Total non-current liabilities		2,132,603		1,258,382
Total liabilities		9,374,960		9,209,474
Net assets				
Shareholders' equity				
Capital stock		7,623,638		7,643,777
Capital surplus				
Legal capital surplus		6,735,630		6,755,769
Total capital surplus		6,735,630		6,755,769
Retained earnings				
Legal retained earnings		748,262		748,262
Other retained earnings				
Reserve for advanced depreciation of non-current assets		15,850		14,982
General reserve		24,020,000		21,020,000
Retained earnings brought forward		768,016		3,768,354
Total retained earnings		25,552,129		25,551,599
Treasury stock		△1,159,364		△299,704
Total shareholders' equity		38,752,033		39,651,442
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		1,548,640		1,215,457
Total valuation and translation adjustments		1,548,640		1,215,457
Share acquisition rights		183,970		149,131
Total net assets		40,484,643		41,016,030
Total liabilities and net assets		49,859,604		50,225,504

2) Statements of Income

(Thousands of yen)

	Previous business year (From April 1, 2020 to March 31, 2021)		Current business year (From April 1, 2021 to March 31, 2022)	
Net sales	*1	31,668,607	*1	26,648,241
Cost of sales	*1	27,854,265	*1	22,517,292
Gross profit		3,814,342		4,130,948
Selling, general and administrative expenses	*1,*2	2,599,288	*1,*2	2,809,122
Operating income		1,215,053		1,321,826
Non-operating income				
Interest and dividends income	*1	596,342	*1	897,878
Foreign exchange gains		92,534		429,816
Rent income	*1	219,586	*1	225,607
Gain on redemption of investment securities		48,371		213,189
Other	*1	204,022	*1	115,902
Total non-operating income		1,160,858		1,882,394
Non-operating expenses				
Interest expenses	*1	14,849	*1	26,859
Rent expenses		227,400		229,044
Provision of allowance for doubtful accounts	*1	145,848	*1	89,445
Other		54,897		6,343
Total non-operating expenses		442,996		351,692
Ordinary income		1,932,915		2,852,528
Extraordinary income				
Gain on sales of investment securities		320,621		297,841
Gain on reversal of share acquisition rights		27,550		45,938
Other		148		—
Total extraordinary income		348,321		343,779
Extraordinary losses				
Loss on sales of investment securities		313,624		32,110
Impairment loss		69,684		12,928
Loss on retirement of non-current assets		27,605		41,143
Provision for share-based remuneration		—		14,098
Total extraordinary losses		410,914		100,280
Income before income taxes		1,870,322		3,096,027
Income taxes-current		134,422		821,728
Income taxes-deferred		339,204		△73,976
Total income taxes		473,627		747,752
Net income		1,396,694		2,348,274

3) Statements of Changes in Shareholders' Equity and Other Net Assets

Previous 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
Cumulative effects of changes in accounting policies								
Restated balance	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 stock								
Retirement of treasury stock							△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 shareholder s' 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
Cumulative effects of changes in accounting policies						
Restated balance	△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 stock	△334	△334				△334
Retirement of treasury stock	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

Current business year (From April 1, 2021 to March 31, 2022)

(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	7,623,638	6,735,630	6,735,630	748,262	15,850	24,020,000	768,016	25,552,129
Cumulative effects of changes in accounting policies							39,405	39,405
Restated balance	7,623,638	6,735,630	6,735,630	748,262	15,850	24,020,000	807,421	25,591,534
Changes of items during the period								
Issuance of new shares	20,139	20,139	20,139					
Reversal of reserve for advanced depreciation of non-current assets					△868		868	—
Dividends from surplus							△1,466,926	△1,466,926
Net income (loss)							2,348,274	2,348,274
Provision of general reserve						△3,000,000	3,000,000	—
Purchase of treasury stock								
Disposal of treasury stock							△2,973	△2,973
Retirement of treasury stock							△918,310	△918,310
Net changes of items other than shareholders' equity								
Total changes of items during the period	20,139	20,139	20,139	—	△868	△3,000,000	2,960,932	△39,935
Balance at end of current period	7,643,777	6,755,769	6,755,769	748,262	14,982	21,020,000	3,768,354	25,551,599

	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	△1,159,364	38,752,033	1,548,640	1,548,640	183,970	40,484,643
Cumulative effects of changes in accounting policies		39,405				39,405
Restated balance	△1,159,364	38,791,438	1,548,640	1,548,640	183,970	40,524,049
Changes of items during the period						
Issuance of new shares		40,278				40,278
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends from surplus		△1,466,926				△1,466,926
Net income (loss)		2,348,274				2,348,274
Provision of general reserve		—				—
Purchase of treasury stock	△82,621	△82,621				△82,621
Disposal of treasury stock	23,971	20,997				20,997
Retirement of treasury stock	918,310	—				—
Net changes of items other than shareholders' equity			△333,182	△333,182	△34,839	△368,021

Total changes of items during the period	859,660	860,003	△333,182	△333,182	△34,839	491,981
Balance at end of current period	△299,704	39,651,442	1,215,457	1,215,457	149,131	41,016,030

[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 other than stocks and others without a quoted market price:

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

Stocks and others without a quoted market price:

Stated at average cost.

(2) Derivative financial instruments

Stated at fair market value.

(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) Provision for share-based remuneration

As a reserve for the Company's share-based remuneration to employees under the share delivery regulations, it is allocated based on the expected aggregate amount of share benefit obligation as of the end of the current business year.

5. Standards for recording important revenues and expenses

Notes on the standards for recording important revenues and expenses are omitted as the same details are shown in "Notes (For Revenue Recognition) 2. Basic information for understanding revenue from contracts with customers" of Consolidated Financial Statements.

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. 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 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

(Thousands of yen)

	Previous business year	Current business year
Loss on valuation of inventory	15,419	37,819
Merchandise and finished goods	324,702	292,638
Work in process	157,010	109,095

(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 including the influence of international situation in Ukraine 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 Accounting Policies)

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

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. have been applied from the beginning of the current business year and the Company recognizes revenue at the amount expected to be received in exchange for goods or services when control of the promised goods or services is transferred to customers.

As a result, for transactions where the role of the Company falls under an agent of sales of products to customers, the total amount of considerations received from customers have previously been recognized as revenue, but the method has been changed to recognize revenue at the net amount, subtracting the amount paid to third parties from the total amount of considerations. In addition, with regard to buy-sell transactions in which the Company provides parts to suppliers with compensation and bears a repurchase obligation, the amount equivalent to the ending inventory of the provided parts retained by suppliers are recognized as liabilities pertaining to buy-sell transactions. Furthermore, with regard to buy-sell transactions in which the Company purchases parts from suppliers and bears a sell-back obligation, sales and cost of goods sold have previously been recorded at the time of sell-back to suppliers of parts, but the method has been changed to recognize only the net amount equivalent to processing cost as revenue. Moreover, for sales to some customers, in connection with transfer of control over assets to customers over time, the method of recognizing revenue over time according to the progress of manufacture was adopted.

For the application of the Revenue Recognition Accounting Standard, etc., the Company complies with the transitional treatment set forth in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects resulting from retroactive application of the new accounting policy before the beginning of the current business year were added to or subtracted from retained earnings at the beginning of the current business year and the new accounting policy has been applied from the beginning balance; provided, however, that by applying the method set forth in paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy has not been retroactively applied to contracts for which almost all revenue has been recognized in accordance with the previous treatment before the beginning of the current business year. With respect to contract amendments which were made before the beginning of the current business year, accounting treatment was made under the terms of contract after all contract amendments were reflected by applying the method set forth in paragraph 86, item (1) of the Revenue Recognition Accounting Standard and the cumulative effects were added to or subtracted from retained earnings at the beginning of the current business year.

As a result, in the current business year, sales decreased by 3,658,783 thousand yen, cost of sales decreased by 3,627,558 thousand yen, and operating income, ordinary income and income before income taxes decreased by 31,225 thousand yen respectively. The balance of retained earnings at the beginning of the current quarter increased by 39,405 thousand yen.

In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Accounting Standards, reclassification has not been made by the new presentation method regarding the previous business year.

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

“Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Standard”), etc. have been applied from the beginning of the current business year. In accordance with the transitional treatment set forth in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan Statement No. 10, July 4, 2019), the new accounting policy set forth in the Fair Value Measurement Standard, etc. was applied prospectively. There is no impact due to this application.

(Changes in Presentation)

<Statements of Income>

1. “Reversal of provision for loss on guarantees”, which was separately stated within “Non-operating income” in the previous business year, is presented as part of “Other” 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, 155,599 thousand yen of “Reversal of provision for loss on guarantees”, listed within “Non-operating income” in the statements of income for the previous business year, has been reclassified as part of “Other” listed within “Non-operating income” in the statements of income for the previous business year, has been reclassified as part of “Other”.

2. “Foreign exchange gains” and “Gain on redemption of investment securities”, which was presented as part of “Other” in “Non-operating income” in the previous business year, is separately stated effective from the current business 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. As a result, 189,329 thousand yen of “Other”, listed within “Non-operating income” in the statements of income for the previous business year, has been reclassified into the combination of 92,534 thousand yen of “Foreign exchange gains”, 48,371 thousand yen of “Gain on redemption of investment securities” and 204,022 thousand yen of “Other” (including a reclassification of 155,599 thousand yen from Reversal of provision for loss on guarantees in 1).
3. “Gain on reversal of share acquisition rights”, which was presented as part of “Other” in “Extraordinary income” in the previous business year, is separately stated effective from the current business year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of Extraordinary income. As a result, 27,699 thousand yen of “Other”, listed within “Extraordinary income” in the statements of income for the previous business year, has been reclassified into the combination of 27,550 thousand yen of “Gain on reversal of share acquisition rights” and 148 thousand yen of “Other”.
4. “Loss on retirement of non-current assets”, 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 percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of Extraordinary losses. As a result, 27,605 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 27,605 thousand yen of “Loss on retirement of non-current assets”.

(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, 2021)		Current business year (As of March 31, 2022)	
Buildings	2,548,529	(2,548,529)	2,719,922	(2,719,922)
Structures	209,212	(209,212)	197,149	(197,149)
Machinery and equipment	831,156	(831,156)	903,157	(903,157)
Tools, furniture and fixtures	57,451	(57,451)	84,636	(84,636)
Land	266,508	(199,190)	266,508	(199,190)
Total	3,912,858	(3,845,541)	4,171,373	(4,104,056)

Secured liabilities

(Thousands of yen)

	Previous business year (As of March 31, 2021)		Current business year (As of March 31, 2022)	
Current portion of long-term loans payable	133,332	(133,332)	680,558	(680,558)
Long-term loans payable	680,558	(680,558)	—	—
Total	813,890	(813,890)	680,558	(680,558)

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, 2021)	Current business year (As of March 31, 2022)
Short-term monetary receivables	817,213	908,437
Short-term monetary payables	1,027,066	1,203,271

*3 Guarantee liabilities
Accounts borrowed from financial institutions of associated companies and Guarantee liabilities for performance guarantee

	Previous business year (As of March 31, 2021)	Current business year (As of March 31, 2022)
Satosan Co., Ltd. (Loan guarantee)	742,069	883,044
Protec Arisawa America, Inc. (Product warranty)	11,178	12,357

*4 The Company has 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.

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

(Notes Related to Statements of Income)

*1 Volume of transactions with associated companies (Thousands of yen)

	Previous business year (From April 1, 2020 to March 31, 2021)	Current business year (From April 1, 2021 to March 31, 2022)
Gross operating transaction volume		
Net sales	2,437,195	2,103,999
Value of goods laid in	4,048,297	3,918,900
Gross non-operating transaction volume	456,723	1,007,126

*2 Approximately 48% of the amount of selling, general and administrative expenses recorded for the previous business year falls under selling expenses, while the remaining 45% falls under general and administrative expenses. Approximately 52% of the amount of selling, general and administrative expenses recorded for the current business year falls under selling expenses, while the remaining 55% falls under general and administrative expenses. The major items of selling, general and administrative expenses and their respective amounts are as follows.

	Previous business year (From April 1, 2020 to March 31, 2021)	Current business year (From April 1, 2021 to March 31, 2022)
Salaries and allowances	616,355	707,049
Provision for bonuses	75,065	96,361
Retirement benefit expenses	73,213	58,032
Freightage and packing expenses	717,769	744,238
Depreciation	81,669	83,760
Other	1,035,216	1,119,679

(Notes Related to Securities)

Equity stakes in subsidiaries and affiliated companies

Previous 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
Equity stakes in subsidiaries	735,582
Equity stakes in affiliated companies	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.

Current business year (As of March 31, 2022)

(Thousands of yen)

Category	Amount shown on balance sheets	Fair value	Difference
Equity stakes in subsidiaries	—	—	—

Note: Amount shown on balance sheets for stocks and others without a quoted market price which are not included above. (Thousands of yen)

Category	Current business year
Equity stakes in subsidiaries	11,176,354
Equity stakes in affiliated companies	220,380

(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, 2021)	Current business year (As of March 31, 2022)
Deferred tax assets		
Loss on valuation of investment securities	396,165	396,165
Impairment loss	317,774	289,935
Provision for retirement benefits	171,088	160,923
Provision for bonuses	109,075	102,619
Provision for loss on guarantees	90,114	75,226
Allowance for doubtful accounts Provision for bonuses	67,823	95,104
Other	219,982	282,214
Deferred tax assets subtotal	1,372,024	1,402,188
Valuation allowance	△941,834	△946,715
Deferred tax assets total	430,190	455,473
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△679,619	△533,402
Other	△38,885	△7,485
Deferred tax liabilities total	△718,504	△540,887
Net amount of deferred tax liabilities	△288,314	△85,414

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, 2021)	Current business year (As of March 31, 2022)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Items permanently excluded from taxable income	△4.2%	△6.2%
Special tax deductions	△0.9%	△2.3%
Items permanently excluded from tax-deductible expenses	0.7%	0.9%
Other	△0.8%	1.3%
Effective income tax rate after tax effect accounting	25.3%	24.2%

(For Revenue Recognition)

Notes on the basic information for understanding revenue from contracts with customers are omitted as the same details are shown in “Notes (For Revenue Recognition)” of the Consolidated Financial Statement.

(Significant Subsequent Events)

(Purchase of treasury stock)

Notes are omitted as the details are shown in “Notes (Significant Subsequent Events)” of Consolidated Financial Statements.

(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	3,786,312	178,301	11,489	280,928	3,672,196	11,231,810
	Structures	306,444	29,965	—	39,898	296,510	1,245,881
	Machinery and equipment	2,204,894	370,806	17,895 (11,686)	640,992	1,916,812	20,990,146
	Vehicles	22,027	16,811	383	15,174	23,281	196,431
	Tools, furniture and fixtures	179,962	135,561	1,679 (1,242)	91,123	222,721	1,462,364
	Land	1,376,078	—	—	—	1,376,078	—
	Lease assets	249,081	152,846	2,084	55,985	343,857	92,879
	Construction in progress	34,827	1,343,486	1,146,060	—	232,253	—
	Total property, plant and equipment	8,159,629	2,227,779	1,179,592 (12,928)	1,124,103	8,083,713	35,219,515
Intangible assets	Software	84,562	61,270	—	29,903	115,929	—
	Other	9,631	—	—	90	9,541	—
	Total intangible assets	94,194	61,270	—	29,994	125,470	—

Note: 1. Key components of the increase in the current period are as follows.

(Thousands of yen)

Machinery and equipment	Electronic materials manufacturing facilities	310,649
	Industrial application structural materials manufacturing facilities	32,101
	Electrical insulating materials manufacturing facilities	25,737
Construction in progress	Electronic materials manufacturing facilities	938,960
	Entire facilities of the Company	192,963
	Electrical insulating materials manufacturing facilities	106,500

2. Key components of the decrease in the current period are as follows.

(Thousands of yen)

Construction in progress	Transfer to the main account	884,293
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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	222,371	310,593	221,147	311,817
Provision for bonuses	357,625	336,456	357,625	336,456
Provision for loss on guarantees	295,458	—	48,815	246,643
Provision for share-based remuneration	—	29,802	—	29,802

(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) Financial Report, documents attached thereto and Confirmation Letter
Business year from April 1, 2020 to March 31, 2021 (The 73rd Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2021.
- (2) Internal Control Report and documents attached thereto
Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2021.
- (3) Quarterly Report and Confirmation Letter
(The First Quarter of the 74th Term) (From April 1, 2021 to June 30, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2021.
(The Second Quarter of the 74th Term) (From July 1, 2021 to September 30, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 12, 2021.
(The Third Quarter of the 74th Term) (From October 1, 2021 to December 31, 2021)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2022.
- (4) Extraordinary Report
Submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2021.
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) .
- (5) Share Buyback Report
Reporting Period (From May 1, 2022 to May 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 10, 2022

**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 28, 2022

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Akira Igarashi
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Eishi Daikoku
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, 2021 to March 31, 2022, 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, 2022 as well as the results of their operations and their status of cash flows for the consolidated fiscal year ended March 31, 2022 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 37,819 thousand yen is recorded for the relevant inventories (292,638 thousand yen for merchandise and finished goods, and 109,095 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 including the influence of international situation in Ukraine.</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 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 and the production planning of business partners, etc. were obtained and consulted in order to examine the timing of corona containment and demand trends and the influence of international situation in Ukraine 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 based on assumptions set by the Company in order to examine the effect of uncertainties of the estimates for valuation of inventories. - The auditor discussed with management on the expected sales volume to examine whether it complied with management environment and measures which management assumed, including the timing of the new corona virus infection (COVID-19).

Other Information

The other information comprises the information included in the financial report, but does not include the consolidated financial statement, the consolidated financial results, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' execution of duties relating to the improvement and operation of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

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, 2022 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, 2022, 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. An original of the above quarterly review report is separately archived by the Company (the company submitting the Quarterly Report).
2. XBRL data are not included in the subject of the audit.

Independent Auditors' Report

June 28, 2022

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Akira Igarashi
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Eishi Daikoku
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 74th business year from April 1, 2021 to March 31, 2022, 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, 2022 and the results of its operations for the business year ended March 31, 2022 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.

Other Information

The other information comprises the information included in the financial report, but does not include the consolidated financial statement, the consolidated financial results, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' execution of duties relating to the improvement and operation of the reporting process for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

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.

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- Note:
1. An original of the above quarterly review report is separately archived by the Company (the company submitting the Quarterly Report)..
 2. XBRL data are not included in the subject of the audit.