

Note: This is an excerpt translation of the “Yukashoken-Houkokusho” for the convenience of overseas stakeholders. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. RIKEN TECHNOS CORPORATION assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Consolidated Financial Statements

(Pursuant to Article 24, Paragraph 1 of the
Japanese Financial Instruments and Exchange Act)

Business year: From April 1, 2021
(93rd term) to March 31, 2022

RIKEN TECHNOS CORPORATION

2-101, Kanda-Awajicho, Chiyoda-ku, Tokyo, Japan

Consolidated Financial Statements and Others

(1) Consolidated Financial Statements

a. Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	21,106,010	20,702,615
Notes and accounts receivable - trade	*2 21,143,908	—
Notes receivable - trade	—	*2 1,785,477
Accounts receivable - trade	—	21,413,866
Electronically recorded monetary claims - operating	*2 2,162,815	*2 3,145,045
Merchandise and finished goods	6,227,760	9,159,195
Work in process	692,289	621,167
Raw materials and supplies	5,372,437	7,623,661
Other	948,638	751,067
Allowance for doubtful accounts	(83,920)	(83,600)
Total current assets	57,569,939	65,118,496
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,919,675	26,001,105
Accumulated depreciation	(15,002,480)	(16,085,506)
Buildings and structures, net	9,917,194	9,915,598
Machinery, equipment and vehicles	52,015,723	53,866,872
Accumulated depreciation	(43,625,614)	(45,963,974)
Machinery, equipment and vehicles, net	8,390,108	7,902,898
Land	6,282,764	6,331,829
Leased assets	143,909	145,713
Accumulated depreciation	(84,611)	(105,394)
Leased assets, net	59,298	40,319
Construction in progress	231,171	364,622
Other	5,825,136	5,876,517
Accumulated depreciation	(5,234,710)	(5,294,914)
Other, net	590,426	581,602
Total property, plant and equipment	25,470,963	25,136,870
Intangible assets		
Goodwill	542,063	7,275
Leased assets	2,919	588
Other	1,808,885	2,098,602
Total intangible assets	2,353,868	2,106,466
Investments and other assets		
Investment securities	7,736,267	7,905,371
Long-term loans receivable	14,269	2,526
Retirement benefit asset	883,374	962,148
Deferred tax assets	418,840	428,348
Other	764,382	983,575
Allowance for doubtful accounts	(3,045)	(2,320)
Total investments and other assets	9,814,089	10,279,650
Total non-current assets	37,638,921	37,522,987
Total assets	95,208,860	102,641,484

(Thousands of yen)

	As of March 31, 2021		As of March 31, 2022	
Liabilities				
Current liabilities				
Notes and accounts payable - trade	*2	15,601,093	*2	20,075,715
Electronically recorded obligations - operating		538,404		521,101
Short-term borrowings	*1	6,976,725	*1	6,769,296
Current portion of long-term borrowings		448,983		488,174
Lease liabilities		20,560		14,444
Income taxes payable		885,287		480,704
Provision for bonuses		721,429		726,155
Provision for bonuses for directors (and other officers)		84,709		97,774
Other		2,803,299		2,235,955
Total current liabilities		28,080,491		31,409,322
Non-current liabilities				
Long-term borrowings		2,819,082		2,566,512
Lease liabilities		26,361		20,774
Deferred tax liabilities		1,545,671		1,469,124
Provision for share awards for directors (and other officers)		140,640		171,386
Retirement benefit liability		1,052,229		1,136,730
Asset retirement obligations		332,387		330,880
Other		135,141		88,252
Total non-current liabilities		6,051,514		5,783,661
Total liabilities		34,132,006		37,192,984
Net assets				
Shareholders' equity				
Share capital		8,514,018		8,514,018
Capital surplus		6,597,580		6,597,580
Retained earnings		35,561,518		38,200,822
Treasury shares		(517,035)		(466,193)
Total shareholders' equity		50,156,082		52,846,228
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		3,999,879		4,255,441
Foreign currency translation adjustment		(460,662)		563,069
Remeasurements of defined benefit plans		46,021		97,331
Total accumulated other comprehensive income		3,585,238		4,915,842
Non-controlling interests		7,335,533		7,686,429
Total net assets		61,076,854		65,448,500
Total liabilities and net assets		95,208,860		102,641,484

b. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	88,224,442	109,923,705
Cost of sales	*1, *3 71,409,689	*1, *3 91,008,539
Gross profit	16,814,752	18,915,166
Selling, general and administrative expenses	*2, *3 11,501,088	*2, *3 12,623,123
Operating profit	5,313,663	6,292,043
Non-operating income		
Interest income	25,909	25,510
Dividend income	167,971	196,656
Foreign exchange gains	123,420	344,491
Subsidies for employment adjustment	96,680	—
Other	173,251	223,098
Total non-operating income	587,232	789,757
Non-operating expenses		
Interest expenses	139,351	109,206
Other	109,457	83,567
Total non-operating expenses	248,808	192,773
Ordinary profit	5,652,088	6,889,026
Extraordinary income		
Gain on sale of non-current assets	*4 4,843	*4 1,102
Gain on sale of investment securities	10,768	106,010
Total extraordinary income	15,611	107,113
Extraordinary losses		
Loss on sale of non-current assets	*5 1,418	*5 894
Loss on retirement of non-current assets	*6 35,590	*6 9,394
Impairment losses	—	*7 319,144
Loss from money transfer scam at foreign subsidiary	—	187,259
Loss on sale of investment securities	—	3,409
Total extraordinary losses	37,008	520,102
Profit before income taxes	5,630,691	6,476,038
Income taxes - current	1,667,856	1,931,105
Income taxes - deferred	(294,962)	(83,716)
Total income taxes	1,372,893	1,847,389
Profit	4,257,797	4,628,648
Profit attributable to non-controlling interests	1,023,590	687,230
Profit attributable to owners of parent	3,234,206	3,941,418

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	4,257,797	4,628,648
Other comprehensive income		
Valuation difference on available-for-sale securities	1,829,022	255,628
Foreign currency translation adjustment	(1,144,140)	1,521,732
Remeasurements of defined benefit plans, net of tax	421,409	51,309
Total other comprehensive income	*1 1,106,290	*1 1,828,670
Comprehensive income	5,364,088	6,457,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,805,074	5,272,022
Comprehensive income attributable to non-controlling interests	559,013	1,185,297

c. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,514,018	7,373,812	33,252,502	(1,444,377)	47,695,956
Cumulative effects of changes in accounting policies					—
Restated balance	8,514,018	7,373,812	33,252,502	(1,444,377)	47,695,956
Changes during period					
Dividends of surplus			(757,012)		(757,012)
Profit attributable to owners of parent			3,234,206		3,234,206
Purchase of treasury shares				(236,807)	(236,807)
Disposal of treasury shares		2,210		229,748	231,959
Cancellation of treasury shares		(934,400)		934,400	—
Other		155,957	(168,178)		(12,220)
Net changes in items other than shareholders' equity					
Total changes during period	—	(776,232)	2,309,015	927,341	2,460,125
Balance at end of period	8,514,018	6,597,580	35,561,518	(517,035)	50,156,082

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,170,858	218,900	(375,387)	2,014,371	7,876,489	57,586,816
Cumulative effects of changes in accounting policies						—
Restated balance	2,170,858	218,900	(375,387)	2,014,371	7,876,489	57,586,816
Changes during period						
Dividends of surplus						(757,012)
Profit attributable to owners of parent						3,234,206
Purchase of treasury shares						(236,807)
Disposal of treasury shares						231,959
Cancellation of treasury shares						—
Other						(12,220)
Net changes in items other than shareholders' equity	1,829,020	(679,562)	421,409	1,570,867	(540,955)	1,029,912
Total changes during period	1,829,020	(679,562)	421,409	1,570,867	(540,955)	3,490,037
Balance at end of period	3,999,879	(460,662)	46,021	3,585,238	7,335,533	61,076,854

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,514,018	6,597,580	35,561,518	(517,035)	50,156,082
Cumulative effects of changes in accounting policies			(11,984)		(11,984)
Restated balance	8,514,018	6,597,580	35,549,533	(517,035)	50,144,097
Changes during period					
Dividends of surplus			(1,282,275)		(1,282,275)
Profit attributable to owners of parent			3,941,418		3,941,418
Purchase of treasury shares				(49)	(49)
Disposal of treasury shares				50,890	50,890
Other			(7,853)		(7,853)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,651,289	50,841	2,702,131
Balance at end of period	8,514,018	6,597,580	38,200,822	(466,193)	52,846,228

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,999,879	(460,662)	46,021	3,585,238	7,335,533	61,076,854
Cumulative effects of changes in accounting policies						(11,984)
Restated balance	3,999,879	(460,662)	46,021	3,585,238	7,335,533	61,064,869
Changes during period						
Dividends of surplus						(1,282,275)
Profit attributable to owners of parent						3,941,418
Purchase of treasury shares						(49)
Disposal of treasury shares						50,890
Other						(7,853)
Net changes in items other than shareholders' equity	255,562	1,023,732	51,309	1,330,603	350,895	1,681,499
Total changes during period	255,562	1,023,732	51,309	1,330,603	350,895	4,383,630
Balance at end of period	4,255,441	563,069	97,331	4,915,842	7,686,429	65,448,500

d. Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,630,691	6,476,038
Depreciation	3,713,004	3,506,091
Impairment losses	—	319,144
Amortization of goodwill	201,455	140,205
Increase (decrease) in provision for bonuses	128,495	(2,328)
Increase (decrease) in provision for bonuses for directors (and other officers)	12,632	13,065
Increase (decrease) in allowance for doubtful accounts	(940)	(548)
Increase (decrease) in retirement benefit liability	143,320	(28,458)
Increase (decrease) in provision for share awards for directors (and other officers)	(38,282)	30,745
Interest and dividend income	(193,880)	(222,166)
Interest expenses	139,351	109,206
Loss (gain) on sale of investment securities	(10,768)	(102,601)
Loss (gain) on sale of property, plant and equipment	(3,425)	(208)
Loss on retirement of non-current assets	35,590	9,394
Decrease (increase) in trade receivables	728,813	(2,465,663)
Decrease (increase) in inventories	(633,781)	(4,575,823)
Increase (decrease) in trade payables	(58,792)	3,962,068
Increase (decrease) in accrued consumption taxes	42,219	(263,266)
Other, net	762,024	(57,954)
Subtotal	10,597,726	6,846,939
Interest and dividends received	196,087	222,638
Interest paid	(140,174)	(114,103)
Income taxes paid	(1,265,784)	(2,382,668)
Net cash provided by (used in) operating activities	9,387,855	4,572,806
Cash flows from investing activities		
Payments into time deposits	(35,347)	(24,156)
Proceeds from withdrawal of time deposits	540,239	24,155
Purchase of property, plant and equipment	(2,581,833)	(2,280,827)
Proceeds from sale of property, plant and equipment	7,135	1,558
Purchase of intangible assets	(1,015,999)	(455,439)
Purchase of investment securities	(704)	(716)
Proceeds from sale of investment securities	31,496	317,674
Loan advances	(1,716)	—
Proceeds from collection of loans receivable	30,909	12,741
Other, net	22,854	(33,197)
Net cash provided by (used in) investing activities	(3,002,966)	(2,438,208)

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(241,579)	(338,306)
Repayments of long-term borrowings	(811,260)	(474,724)
Repayments of lease liabilities	(14,987)	(20,613)
Proceeds from sale of treasury shares	124,601	—
Purchase of treasury shares	(24)	(49)
Dividends paid	(755,286)	(1,281,289)
Dividends paid to non-controlling interests	(1,097,763)	(831,034)
Net cash provided by (used in) financing activities	(2,796,299)	(2,946,018)
Effect of exchange rate change on cash and cash equivalents	(319,845)	407,952
Net increase (decrease) in cash and cash equivalents	3,268,743	(403,466)
Cash and cash equivalents at beginning of period	17,812,026	21,080,770
Cash and cash equivalents at end of period	*1 21,080,770	*1 20,677,303

Notes to Consolidated Financial Statements

Significant Matters in Preparing Consolidated Financial Statements

1. Basis of presentation of consolidated financial statements

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

In addition, amounts are rounded down to the nearest thousand yen.

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 19 as of March 31, 2021

18 as of March 31, 2022

All the subsidiaries have been included in the scope of consolidation.

From the fiscal year ended March 31, 2022, RIKEN FABRO CORPORATION, which was a consolidated subsidiary in the fiscal year ended March 31, 2021, has been removed from the scope of consolidation due to its dissolution as a result of a merger with the Company in which the Company was the surviving company.

Names of principal consolidated subsidiaries are as follows:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Company name
RIKEN CABLE TECHNOLOGY CO., LTD.
KYOEI PLASTIC MFG CO., LTD.
RIKEN TECHNOS INTERNATIONAL CORPORATION
RIKEN CHEMICAL PRODUCTS CORPORATION
RIKEN FABRO CORPORATION
I.M.I Co., Ltd.
RIKEN (THAILAND) CO., LTD.
RIKEN ELASTOMERS (THAILAND) CO., LTD.
PT. RIKEN INDONESIA
SHANGHAI RIKEN TECHNOS CORPORATION
RIKEN TECHNOS (JIANG SU) CORPORATION
RIKEN (SHANGHAI) CORPORATION
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION
RIKEN VIETNAM CO., LTD.
RIKEN TECHNOS INDIA PVT. LTD.
RIKEN U.S.A. CORPORATION
RIKEN AMERICAS CORPORATION
RIMTEC CORPORATION
RIKEN ELASTOMERS CORPORATION

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Company name
RIKEN CABLE TECHNOLOGY CO., LTD.
KYOEI PLASTIC MFG CO., LTD.
RIKEN TECHNOS INTERNATIONAL CORPORATION
RIKEN CHEMICAL PRODUCTS CORPORATION
I.M.I Co., Ltd.
RIKEN (THAILAND) CO., LTD.
RIKEN ELASTOMERS (THAILAND) CO., LTD.
PT. RIKEN INDONESIA
SHANGHAI RIKEN TECHNOS CORPORATION
RIKEN TECHNOS (JIANG SU) CORPORATION
RIKEN (SHANGHAI) CORPORATION
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION
RIKEN VIETNAM CO., LTD.
RIKEN TECHNOS INDIA PVT. LTD.
RIKEN U.S.A. CORPORATION
RIKEN AMERICAS CORPORATION
RIMTEC CORPORATION
RIKEN ELASTOMERS CORPORATION

(2) The Company has no unconsolidated subsidiaries.

3. Application of equity method

The Company has no associates.

4. Fiscal year-end of consolidated subsidiaries

The consolidated subsidiaries whose balance sheet date is different from the consolidated balance sheet date are as follows:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Company name	Balance sheet date
RIKEN CABLE TECHNOLOGY CO., LTD.	December 31 *1
KYOEI PLASTIC MFG CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL CORPORATION	December 31 *1
RIKEN CHEMICAL PRODUCTS CORPORATION	December 31 *1
RIKEN FABRO CORPORATION	December 31 *1
I.M.I Co., Ltd.	December 31 *1
RIKEN (THAILAND) CO., LTD.	December 31 *1
RIKEN ELASTOMERS (THAILAND) CO., LTD.	December 31 *1
PT. RIKEN INDONESIA	December 31 *1
SHANGHAI RIKEN TECHNOS CORPORATION	December 31 *1
RIKEN TECHNOS (JIANG SU) CORPORATION	December 31 *1
RIKEN (SHANGHAI) CORPORATION	December 31 *1
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION	December 31 *1
RIKEN VIETNAM CO., LTD.	December 31 *1
RIKEN TECHNOS INDIA PVT. LTD.	December 31 *1
RIKEN U.S.A. CORPORATION	December 31 *1
RIKEN AMERICAS CORPORATION	December 31 *1
RIMTEC CORPORATION	December 31 *1
RIKEN ELASTOMERS CORPORATION	December 31 *1

*1. The financial statements as of the balance sheet date of the consolidated subsidiaries are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Company name	Balance sheet date
RIKEN CABLE TECHNOLOGY CO., LTD.	December 31 *1
KYOEI PLASTIC MFG CO., LTD.	December 31 *1
RIKEN TECHNOS INTERNATIONAL CORPORATION	December 31 *1
RIKEN CHEMICAL PRODUCTS CORPORATION	December 31 *1
I.M.I Co., Ltd.	December 31 *1
RIKEN (THAILAND) CO., LTD.	December 31 *1
RIKEN ELASTOMERS (THAILAND) CO., LTD.	December 31 *1
PT. RIKEN INDONESIA	December 31 *1
SHANGHAI RIKEN TECHNOS CORPORATION	December 31 *1
RIKEN TECHNOS (JIANG SU) CORPORATION	December 31 *1
RIKEN (SHANGHAI) CORPORATION	December 31 *1
RIKEN TECHNOS INTERNATIONAL KOREA CORPORATION	December 31 *1
RIKEN VIETNAM CO., LTD.	December 31 *1
RIKEN TECHNOS INDIA PVT. LTD.	December 31 *1
RIKEN U.S.A. CORPORATION	December 31 *1
RIKEN AMERICAS CORPORATION	December 31 *1
RIMTEC CORPORATION	December 31 *1
RIKEN ELASTOMERS CORPORATION	December 31 *1

*1. The financial statements as of the balance sheet date of the consolidated subsidiaries are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

5. Accounting policies

(1) Valuation methods for significant assets

i) Securities

a. Held-to-maturity bonds

Stated at amortized cost (straight-line method).

b. Available-for-sale securities

Securities other than shares, etc. without market prices

Stated at fair value.

(Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method.)

Shares, etc. without market prices

Stated at cost determined by the moving-average method.

ii) Inventories

Inventories of the Company and domestic consolidated subsidiaries are mainly stated at cost determined by the moving-average method (the carrying amounts in the consolidated balance sheets are written down due to a decline in profitability). Inventories of overseas consolidated subsidiaries are mainly stated at the lower of cost or market, determined by the average method.

iii) Derivatives

Stated at fair value.

(2) Depreciation and amortization of significant assets

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

The Company and domestic consolidated subsidiaries mainly apply the declining-balance method. However, buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. Overseas consolidated subsidiaries apply the straight-line method.

The estimated useful lives of major items are as follows:

Buildings and structures	3 to 47 years
Machinery, equipment and vehicles	4 to 10 years

ii) Intangible assets (excluding leased assets)

The Company and domestic consolidated subsidiaries apply the straight-line method.

Internal use software is amortized by the straight-line method over its estimated useful life as internally determined (five years).

iii) Leased assets

The Company and domestic consolidated subsidiaries apply the straight-line method assuming the lease periods as useful lives with no residual value.

(3) Significant allowances

i) Allowance for doubtful accounts

To cover losses from bad debts for notes and accounts receivable - trade, loans receivable and others, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables. For specific receivables, such as highly doubtful receivables, the collectibility is individually considered and the estimated amount of uncollectible accounts is provided as the allowance.

ii) Provision for bonuses

To cover bonus payments to employees, a provision for bonuses is provided in the amount to be paid for services rendered by employees during the fiscal year based mainly on the estimated amount of future bonus payment.

iii) Provision for bonuses for directors (and other officers)

To cover bonus payments to Directors (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers, the Company records a provision for bonuses for directors (and other officers) in the amount of the portion applicable to the fiscal year, based on the estimated amount of future bonus payment.

iv) Provision for share awards for directors (and other officers)

To cover provision of shares in the Company to Directors and Executive Officers, the Company records a provision for executive officer incentive plan trust based on the estimated amount of share provision obligations as of the end of the current fiscal year.

(4) Method of recognizing retirement benefits

i) Method of attributing estimated retirement benefits to periods

For the purpose of attributing estimated retirement benefits to periods up to the end of the current fiscal year in the calculation of retirement benefit obligations, the benefit formula method is applied.

ii) Method of amortizing actuarial differences and past service cost

Past service cost is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years).

With regard to actuarial differences, the amount is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (13 years) for each applicable fiscal year, and expensed from the year following the year in which the gain or loss is recognized.

iii) Method of accounting for unrecognized actuarial differences and unrecognized past service cost

Unrecognized actuarial differences and unrecognized past service cost are recognized in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after adjusting for tax effects.

iv) Application of simplified accounting method at small companies

Some consolidated subsidiaries apply a simplified accounting method in which the retirement benefit liability and retirement benefit expenses are calculated by using a method in which the amount of retirement benefits to be paid in cases where all eligible employees retired at the fiscal year-end date is regarded as retirement benefit obligations.

(5) Significant standards for the recognition of revenue and expenses

Revenue from the sale of products and merchandise arises mainly from the manufacture and sale of compound products, film products and food wrapping film products, and the sale of merchandise. The Company or its consolidated subsidiary assumes performance obligations to deliver these products or merchandise in accordance with sales contracts with customers. The Company or its consolidated subsidiary considers that these performance obligations are fulfilled at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time. However, revenue from sales within Japan is recognized at the time of shipment. For export sales, the Company considers that its performance obligations are fulfilled when the products arrive at the place agreed upon with the customer, and revenue is recognized at that time.

Furthermore, with regard to transactions in which the Company or its consolidated subsidiary is considered to act in the capacity of an agent, the net amount receivable in exchange for merchandise provided by the third-party supplier, after deducting the amount payable to the third-party supplier, is recognized as revenue.

(6) Significant hedge accounting

i) Hedge accounting

For foreign currency-denominated monetary receivables and payables and others that have been hedged by forward exchange contracts, the allocation method is used. For interest rate swap contracts, the Company and its domestic consolidated subsidiaries apply the method in which the amount paid or received under the swap contract is added to or deducted from the interest on the hedged assets and liabilities (the exceptional accrual method), in cases where the requirements for the method are satisfied.

ii) Hedging instruments and hedged items

• Hedging instruments

Forward exchange contracts and interest rate swap contracts

• Hedged items

Foreign currency-denominated accounts receivable - trade and accounts payable - trade related to exports and imports of merchandise and finished goods, and interest on borrowings

iii) Hedging policy

Forward exchange contracts are only used within the scope of actual need in order to hedge the risk of fluctuations in foreign exchange rates. Interest rate swap contracts are used to hedge the interest rate fluctuation risk. Entering into derivative transactions for trading or speculative purposes is prohibited.

iv) Assessment of hedge effectiveness

An assessment of hedge effectiveness is omitted for forward exchange contracts to which the allocation method is applied and interest rate swap contracts that satisfy the requirements for the exceptional accrual method.

(7) Method and period for amortization of goodwill

Goodwill is amortized evenly over the period, not exceeding 20 years, during which the goodwill has an effect. However, when the amount of goodwill is insignificant, it is charged to income at the date of occurrence.

(8) Scope of cash and cash equivalents in consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows consist of cash on hand, readily available deposits, and highly liquid short-term investments with original maturities of three months or less that are subject to an insignificant risk of changes in value.

Significant Accounting Estimates

Impairment loss on non-current assets (the asset group at Gunma Factory included in the Electronics segment of the Company)

(1) Amounts recorded on the consolidated financial statements for the fiscal year ended March 31, 2022

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
Impairment loss	—	319,144
Land (55,903.8m ²)	1,273,100	1,273,100
Buildings and structures	641,859	598,523
Other property, plant and equipment	104,611	0
Intangible assets	534,622	—
Total non-current assets	2,554,193	1,871,623

(2) Details of significant accounting estimates concerning identified items

i) Calculation method

In the current fiscal year, the Company judged that indications of impairment existed due to a decline in profitability as a result of changes in the operating environment. As the total of undiscounted future cash flows arising from the asset group was less than the book value, the Company compared the value in use with net realizable value and, taking net realizable value as the recoverable amount, reduced book value to the recoverable amount and recognized the associated impairment loss.

Future cash flows are based on the business plan for the asset group and are subject to review by taking into account product life cycles and other variable factors in the industry to which the business belongs. Some of the assets contained estimated values based on real estate appraisal values.

ii) Major assumptions

Major assumptions used in the calculation of future cash flows are continuous orders expected from existing customers, which serve as a basis of the business plan for the asset group, and the forecast of potential orders from new customers.

iii) Impact on the consolidated financial statements for the next fiscal year

The forecast of potential orders from new customers, one of the major assumptions, is a highly uncertain estimate. In the case where profitability of the target asset group declines and indications of impairment exist and where the total of undiscounted future cash flows arising from the asset group falls below the book value, the consolidated financial statements for the next fiscal year will be affected.

Changes in Accounting Policies

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

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. effective from the beginning of the current fiscal year, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer. Accordingly, with regard to charged supplying to customers, the Company has shifted to the method by which it does not recognize extinguishment of the supplied goods, in cases where it assumes the obligation to repurchase the supplied goods. Additionally, in terms of export transactions, the Company has changed its method of revenue recognition by which revenue is recognized at the time of arrival at the place that the Company and customers had agreed upon, deeming our performance obligations to have been fulfilled at that time. Furthermore, with regard to certain transactions in which the Group acts as an agent in providing the goods or services to a customer, the Company has changed its method and recognizes revenue in the net amount.

The application of the Revenue Recognition Accounting Standard, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the said beginning balance.

Moreover, on the consolidated balance sheets, the amounts previously presented under current assets as notes and accounts receivable - trade have been included in notes receivable - trade and accounts receivable - trade from the current fiscal year. However, in accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Accounting Standard, items for the previous fiscal year have not been reclassified on the basis of the new presentation method.

As a result, on the consolidated balance sheets for the current fiscal year, accounts receivable - trade decreased by 84,072 thousand yen and inventories increased by 59,159 thousand yen compared with before the Revenue Recognition Accounting Standard application. On the consolidated statements of income for the current fiscal year, net sales decreased by 1,008,522 thousand yen, cost of sales decreased by 1,004,206 thousand yen, and operating profit, ordinary profit, and profit before income taxes decreased by 4,316 thousand yen, respectively.

On the consolidated statements of changes in net assets for the current fiscal year, the beginning balance of retained earnings at the beginning of the period decreased by 11,984 thousand yen, reflecting the cumulative impact of application on net assets at the beginning of the current fiscal year.

The impact on per-share information is presented in the relevant section.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the Company has not provided notes on revenue recognition for the previous fiscal year.

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

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. effective from the beginning of the current fiscal year. In accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. into the future. This application has no impact on the consolidated financial statements.

In the notes on financial instruments, the Company now presents information including a breakdown of financial instruments based on the level of fair value. However, in accordance with the transitional treatment provided for in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), the Company has not provided these notes for the previous fiscal year.

Changes in Presentation

(Consolidated Balance Sheets)

“Electronically recorded obligations - operating,” which was included in “Notes and accounts payable - trade” in the previous fiscal year, has been presented separately from the current fiscal year due to its increased monetary importance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 16,139,497 thousand yen, which was presented as “Notes and accounts payable - trade” in the consolidated balance sheets for the previous fiscal year, has been reclassified as “Notes and accounts payable - trade” of 15,601,093 thousand yen and “Electronically recorded obligations - operating” of 538,404 thousand yen.

Additional Information

(Transactions of delivering the Company's own stock to employees etc. through trusts)

(1) Board Benefit Trust (BBT)

In accordance with the resolution at the 87th Ordinary General Meeting of Shareholders held on June 24, 2016, the Company introduced a new stock-based compensation plan "Board Benefit Trust (BBT)" on September 14, 2016, for the purpose of raising awareness of Directors who execute business (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers toward their contributions to improving the mid- to long-term corporate performance and increasing the corporate value as well as making Directors who do not execute business (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members contribute to increasing the mid- to long-term corporate value through supervision or audit.

i) Overview of transactions

Based on the officers' stock benefit plan which was established in advance, the Company and its group companies (the "Group") grant points to Directors etc. (Directors and Executive Officers). At the time of their retirement, the Group provides shares in the Company to the Directors etc. who satisfy requirements for beneficiaries in proportion to the points which the Group has granted to them. With regard to the shares which will be provided to Directors etc. in the future, a trust bank acquires the Company's treasury shares through third-party allotment by using the money contributed by the Company. Such shares are managed as trust assets separately.

ii) Shares in the Company remaining at the trust

The shares in the Company remaining at the trust are recorded as the treasury shares in net assets with the book value (excluding associated costs) at the trust. The book value and number of these treasury shares as of the end of the previous fiscal year were 282,476 thousand yen and 614 thousand shares, respectively, while those as of the end of the current fiscal year were 276,412 thousand yen and 601 thousand shares, respectively.

iii) Book value of borrowings recorded due to the application of the gross method

Not applicable.

(2) Stock Benefit Trust (Employee Stockholding Association Purchase-type)

For the purpose of promoting welfare benefits for employees and giving incentives pertaining to the improvement of corporate value of the Company, the Company introduced "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter referred to as the "Plan"), pursuant to the resolution at the Board of Directors meeting held on February 22, 2021.

i) Overview of transactions

The Plan is an incentive plan under which the benefits of a rise in the Company's stock price are passed along to all the employees who are members of the "RIKEN TECHNOS Employee Stockholding Association" (hereinafter referred to as the "Stockholding Association").

A trust bank as the trustee of the Plan acquires shares in the Company that are expected to be acquired by the Stockholding Association over the five years after the establishment of the trust, en bloc in advance, and sells those shares in the Company to the Stockholding Association as needed when it acquires the shares. If the amount equivalent to gain on sales of shares by the trust bank was accumulated in trust assets by the termination of this trust through the sale of shares to the Stockholding Association, the accumulated amount is distributed as residual assets to the members of the Company's employee Stockholding Association who satisfy eligibility requirements for beneficiaries. The Company has guaranteed loans that the trust bank received to acquire shares in the Company. Therefore, if there is remaining loan amount that is equivalent to loss on sales of shares in the Company due to a decline in the Company's stock price at the time of termination of the trust, the Company is required to pay the remaining loan amount under the guarantee agreement.

ii) Shares in the Company remaining at the trust

The shares in the Company remaining at the trust are recorded as the treasury shares in net assets with the book value (excluding associated costs) at the trust. The book value and number of these treasury shares as of the end of the current fiscal year were 189,711 thousand yen and 372 thousand shares, respectively.

iii) Book value of borrowings recorded due to the application of the gross method

190,018 thousand yen as of the end of the current fiscal year

Notes to Consolidated Balance Sheets

*1. Overdraft agreements and unused overdraft facility balance

To efficiently secure equipment funds, the Company and its domestic consolidated subsidiaries have entered into overdraft agreements with banks with which they do business. The unused balance of these prescribed limit agreements at the fiscal year-end is as follows:

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
Total overdraft facility limit	12,180,000	9,230,000
Outstanding borrowings within the limit	4,965,000	3,665,000
Unused balance	7,215,000	5,565,000

*2. The notes maturing on the balance sheet date are accounted for as if they were settled on the maturity date.

As the balance sheet date fell on a holiday of financial institutions, the following notes matured on the balance sheet date were accounted for as if they were settled on the maturity date.

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
Notes receivable - trade	43,209	37,138
Electronically recorded monetary claims - operating	59,104	13,760
Notes payable - trade	8,148	8,571

Notes to Consolidated Statements of Income

*1. The inventory balance at the fiscal year-end is presented after book values were written down due to a decline in profitability of assets and the following losses (gains) on valuation of inventories are included in cost of sales.

(Thousands of yen)	
Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
109,636	184,213

*2. Main components of selling, general and administrative expenses are as follows:

(Thousands of yen)		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Freightage expenses	2,991,139	3,868,121
Commission fees	1,016,077	1,139,141
Salaries and bonuses	2,609,801	2,724,557
Provision for bonuses	198,429	207,391
Retirement benefit expenses	199,723	209,178
Provision for bonuses for directors (and other officers)	78,619	90,296
Provision of allowance for doubtful accounts	(886)	(1,048)
Research and development expenses	1,110,256	1,237,196

*3. Research and development expenses included in selling, general and administrative expenses and cost of sales are as follows:

(Thousands of yen)	
Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
1,442,415	1,566,063

*4. The breakdown of gain on sale of non-current assets is as follows:

(Thousands of yen)		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Machinery, equipment and vehicles	4,781	1,099
Other	61	2
Total	4,843	1,102

*5. The breakdown of loss on sale of non-current assets is as follows:

(Thousands of yen)		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Machinery, equipment and vehicles	1,074	574
Other	343	319
Total	1,418	894

*6. The breakdown of loss on retirement of non-current assets is as follows:

(Thousands of yen)		
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	6,947	2,673
Machinery, equipment and vehicles	27,679	4,960
Other	964	1,761
Total	35,590	9,394

*7. Impairment loss

In the fiscal year ended March 31, 2022, the Group recorded an impairment loss in the following asset group:

			(Thousands of yen)
Location	Use	Type	Impairment loss
Gunma Factory (Ota City, Gunma Prefecture)	Business use assets	Goodwill, machinery, equipment, etc.	319,144

The Group groups assets into the smallest units that generate cash flows that are generally independent from the cash flow of other assets or asset groups. (Idle assets are grouped individually.)

Regarding the Gunma Factory (in the EL segment), one of such asset groups, the Company judged that indications of impairment existed due to a decline in profitability as a result of changes in the operating environment. As the total of undiscounted future cash flows arising from the asset group was less than the book value, the Company reduced the book value to the recoverable amount and recognized the associated impairment loss.

The impairment loss included 231,250 thousand yen of goodwill, 76,135 thousand yen of machinery, equipment and vehicles, and 11,759 thousand yen of other.

The recoverable amount is measured with the net realizable value. The measurement is based on real estate appraisal values and other reasonably calculated valuations for buildings and land. For other assets, taking into account the possibility of disposal, the net realizable value is considered to be zero for assets deemed to have no effective value.

Notes to Consolidated Statements of Comprehensive Income

*1. Reclassification adjustments and tax effects related to other comprehensive income

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities:		
Amount arising during the period	2,593,066	460,837
Reclassification adjustments	(10,768)	(87,252)
Before tax effect adjustments	2,582,298	373,585
Tax effect amount	(753,276)	(117,956)
Valuation difference on available-for-sale securities	1,829,022	255,628
Foreign currency translation adjustment:		
Amount arising during the period	(1,152,254)	1,521,732
Reclassification adjustments	8,114	-
Before tax effect adjustments	(1,144,140)	1,521,732
Tax effect amount	-	-
Foreign currency translation adjustment	(1,144,140)	1,521,732
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the period	455,461	2,185
Reclassification adjustments	151,932	71,492
Before tax effect adjustments	607,393	73,677
Tax effect amount	(185,983)	(22,368)
Remeasurements of defined benefit plans, net of tax	421,409	51,309
Total other comprehensive income	1,106,290	1,828,670

Notes to Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Type and total number of issued shares and type and number of treasury shares

(Thousands of shares)

	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Issued shares				
Common stock	66,113	–	2,000	64,113
Total	66,113	–	2,000	64,113
Treasury shares				
Common stock (Notes)	3,091	464	2,480	1,074
Total	3,091	464	2,480	1,074

- (Notes)
- The decrease of 2,000 thousand shares of issued shares of common stock is due to the cancellation of treasury shares pursuant to the resolution at the Board of Directors meeting held on July 31, 2020.
 - The Company resolved at the Board of Directors meeting held on August 29, 2016 to introduce the “Board Benefit Trust (BBT)” and transferred 476 thousand shares of treasury shares to Trust Account E as of September 14, 2016, and 329 thousand shares of treasury shares as of March 12, 2020. The number of treasury shares at the beginning and the end of the current fiscal year includes 752 thousand shares and 614 thousand shares in the Company, respectively, held by Trust Account E.
 - The Company introduced the “Stock Benefit Trust (Employee Stockholding Association Purchase-type)” pursuant to the resolution at the Board of Directors meeting held on May 24, 2017. However, the said trust was abolished in the current fiscal year, and the Company resolved at the Board of Directors meeting held on February 22, 2021 to introduce again a similar plan, and transferred 266 thousand shares of treasury shares to Trust Account E as of March 11, 2021. The number of treasury shares at the beginning and the end of the current fiscal year includes 72 thousand shares and 459 thousand shares in the Company, respectively, held by Trust Account E.
 - The increase of 464 thousand shares of treasury shares of common stock is due to the purchase of treasury shares of 464 thousand shares by Trust Account E, and the purchase of shares less than one unit of 0 thousand shares.
 - The decrease of 2,480 thousand shares of treasury shares of common stock is due to the cancellation of treasury shares of 2,000 thousand shares, the transfer of 266 thousand shares from the Company to Trust Account E, the sale of 76 thousand shares from Trust Account E to the Company’s employee stockholding association, the payment of 113 thousand shares from Trust Account E in conjunction with the retirement of Directors and other officers, and the sale of 24 thousand shares from Trust Account E in conjunction with the retirement of Directors and other officers.

2. Subscription rights to shares and treasury subscription rights to shares

Not applicable.

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2020	Common stock	510,777	8	March 31, 2020	June 22, 2020

(Note) Total dividends include 6,597 thousand yen of dividends to the Company’s own shares held in Trust Account E.

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Board of Directors meeting held on October 30, 2020	Common stock	255,388	4	September 30, 2020	December 2, 2020

(Note) Total dividends include 2,555 thousand yen of dividends to the Company’s own shares held in Trust Account E.

(2) Dividends whose cut-off date is in the current fiscal year and whose effective date is in the following fiscal year

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2021	Common stock	769,365	Retained earnings	12	March 31, 2021	June 21, 2021

(Note) Total dividends include 12,897 thousand yen of dividends to the Company's own shares held in Trust Account E.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Type and total number of issued shares and type and number of treasury shares

(Thousands of shares)				
	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Issued shares				
Common stock	64,113	–	–	64,113
Total	64,113	–	–	64,113
Treasury shares				
Common stock (Notes)	1,074	0	101	973
Total	1,074	0	101	973

- (Notes)
1. The Company resolved at the Board of Directors meeting held on August 29, 2016 to introduce the “Board Benefit Trust (BBT)” and transferred 476 thousand shares of treasury shares to Trust Account E as of September 14, 2016, and 329 thousand shares of treasury shares as of March 12, 2020. The number of treasury shares at the beginning and the end of the current fiscal year includes 614 thousand shares and 601 thousand shares in the Company, respectively, held by Trust Account E.
 2. The Company introduced the “Stock Benefit Trust (Employee Stockholding Association Purchase-type)” pursuant to the resolution at the Board of Directors meeting held on May 24, 2017. However, the said trust was abolished in the current fiscal year, and the Company resolved at the Board of Directors meeting held on February 22, 2021 to introduce again a similar plan, and transferred 266 thousand shares of treasury shares to Trust Account E as of March 11, 2021. The number of treasury shares at the beginning and the end of the current fiscal year includes 459 thousand shares and 372 thousand shares in the Company, respectively, held by Trust Account E.
 3. The increase of 0 thousand shares of treasury shares of common stock is due to the purchase of treasury shares of 0 thousand shares by Trust Account E, and the purchase of shares less than one unit of 0 thousand shares.
 4. The decrease of 101 thousand shares of treasury shares of common stock is due to the sale of 87 thousand shares from Trust Account E to the Company's employee stockholding association and the payment of 13 thousand shares from Trust Account E in conjunction with the retirement of Directors and other officers.

2. Subscription rights to shares and treasury subscription rights to shares

Not applicable.

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2021	Common stock	769,365	12	March 31, 2021	June 21, 2021

(Note) Total dividends include 12,897 thousand yen of dividends to the Company's own shares held in Trust Account E.

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Board of Directors meeting held on October 29, 2021	Common stock	512,909	8	September 30, 2021	November 29, 2021

(Note) Total dividends include 8,160 thousand yen of dividends to the Company's own shares held in Trust Account E.

(2) Dividends whose cut-off date is in the current fiscal year and whose effective date is in the following fiscal year

(Resolution)	Type of shares	Total dividends (Thousands of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 17, 2022	Common stock	705,250	Retained earnings	11	March 31, 2022	June 20, 2022

(Note) Total dividends include 10,710 thousand yen of dividends to the Company's own shares held in Trust Account E.

Notes to Consolidated Statements of Cash Flows

*1. Reconciliation between "Cash and cash equivalents at end of period" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash and deposits	21,106,010	20,702,615
Time deposits with maturities over 3 months	(25,240)	(25,312)
Cash and cash equivalents	21,080,770	20,677,303

Lease Transactions

(As Lessee)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(1) Details of leased assets

i) Property, plant and equipment

Mainly, production equipment and others in the compound business

ii) Intangible assets

Software

(2) Depreciation method for leased assets

The depreciation method for leased assets is as stated in "5. Accounting policies (2) Depreciation and amortization of significant assets" under "Significant Matters in Preparing Consolidated Financial Statements."

2. Operating lease transactions

Future lease payments under non-cancelable operating leases

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
Within 1 year	29,970	40,155
Over 1 year	55,003	63,710
Total	84,973	103,866

Financial Instruments

1. Overview

(1) Policy for financial instruments

The Company and its group companies (the “Group”) procure necessary funds primarily through bank loans in light of its capital expenditure plan. The Group invests its excess funds in financial instruments with low risks, giving the highest priority to safety by reference to external ratings and others while considering liquidity. In addition, certain short-term operating funds are procured through bank loans. The Group, by policy, limits derivative transactions to hedging risks associated with substantial transactions and does not enter into them for speculative purposes.

(2) Description of financial instruments and related risks

Notes and accounts receivable - trade, etc., which are operating receivables, involve credit risk of each customer. Operating receivables denominated in foreign currencies are exposed to exchange rate fluctuation risk.

Investment securities are exposed to market price fluctuation risk.

Notes and accounts payable - trade, which are operating payables, are primarily due within three to five months. Borrowings and finance lease liabilities are primarily intended for raising funds for capital investment, and certain borrowings are for operating funds. These borrowings are exposed to interest rate fluctuation risk.

As for derivative transactions, the Group uses interest rate swap contracts to hedge interest rate fluctuation risk associated with borrowings. For hedging instruments and hedged items, hedging policy, assessment of hedge effectiveness and others related to hedge accounting, please refer to “5.

Accounting policies, (6) Significant hedge accounting” under “Significant Matters in Preparing Consolidated Financial Statements” described above.

(3) Risk management system related to financial instruments

i) Management of credit risk (default risk of business partners)

The Group reduces customer credit risk associated with notes and accounts receivable - trade, which are operating receivables, by monitoring customer credit in conformity with standards such as credit control regulations and by periodic review.

As for credit risk associated with issues involving transactions with repurchase/resale agreements, the Company invests in low-risk issues in conformity with its asset management regulations by reference to external ratings and others. The consolidated subsidiaries establish management systems pursuant to the system of the Company.

ii) Management of market risk (exchange rate and interest rate fluctuation risks)

The Group enters into derivative transactions to control interest rate fluctuation risk associated with borrowings.

As for investment securities, the Group holds listed stocks mainly for the purpose of holding them for the long term, and evaluates them on a fair value basis each quarterly period and obtains the financial information of the issuers (business partners). For those other than held-to-maturity bonds, the Group consistently reviews the holding status taking into account the market conditions and relationships with business partners.

iii) Management of liquidity risk associated with funds procurement (risk of failure to pay on due dates)

The departments in charge appropriately distribute funds by periodically collecting information about their account activity in an integrated manner and understanding the situation while holding some as funds on hand taking into account the necessary liquidity.

(4) Supplemental remarks on fair values of financial instruments

As the calculation of those values includes variable factors, the values may vary if different assumptions and others are applied. The contract amount related to derivative transactions in “Derivative Transactions” under “Notes to Consolidated Financial Statements” does not represent market risk associated with the derivative transactions.

2. Fair values of financial instruments

The carrying amounts in the consolidated balance sheets and the fair values, and difference between them are shown below.

As of March 31, 2021

(Thousands of yen)

	Carrying amount in consolidated balance sheets	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	7,609,965	7,609,965	–
(2) Long-term loans receivable	14,269	14,269	0
Total assets	7,624,234	7,624,234	0
(1) Short-term borrowings	6,976,725	6,976,725	0
(2) Current portion of long-term borrowings	448,983	491,222	42,238
(3) Lease liabilities (Current liabilities)	20,560	20,560	0
(4) Long-term borrowings	2,819,082	2,824,576	5,494
(5) Lease liabilities (Non-current liabilities)	26,361	26,361	0
Total liabilities	10,291,712	10,339,445	47,733
Derivative transactions (*3)	–	–	–

(*1) Cash and deposits, notes and accounts receivable - trade, electronically recorded monetary claims - operating, notes and accounts payable - trade, and income taxes payable are omitted from the table above as they are cash-based, they are settled in a short period of time and their fair values therefore approximate their book values.

(*2) Carrying amount of financial instruments for which it is considered extremely difficult to determine fair values

(Thousands of yen)

	As of March 31, 2021
Unlisted stocks	126,302

As unlisted stocks have no market prices and it is considered to be extremely difficult to determine their fair values, they are not included in “(1) Investment securities.”

(*3) Please refer to “Derivative Transactions” under “Notes to Consolidated Financial Statements.”

As of March 31, 2022

(Thousands of yen)

	Carrying amount in consolidated balance sheets	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	7,785,037	7,785,037	–
(2) Long-term loans receivable	2,526	2,526	0
Total assets	7,787,563	7,787,563	0
(1) Short-term borrowings	6,769,296	6,769,296	0
(2) Current portion of long-term borrowings	488,174	520,546	32,371
(3) Lease liabilities (Current liabilities)	14,444	14,444	0
(4) Long-term borrowings	2,566,512	2,543,446	(23,065)
(5) Lease liabilities (Non-current liabilities)	20,774	20,774	0
Total liabilities	9,859,201	9,868,508	9,306
Derivative transactions (*3)	–	–	–

(*1) Cash and deposits, notes receivable - trade, accounts receivable - trade, electronically recorded monetary claims - operating, notes and accounts payable - trade, electronically recorded obligations - operating, and income taxes payable are omitted from the table above as they are cash-based, they are settled in a short period of time and their fair values therefore approximate their book values.

(*2) Shares, etc. without market prices are not included in “(1) Investment securities.” The carrying amount of these financial instruments on the consolidated balance sheets is shown below.

(Thousands of yen)

Category	As of March 31, 2022
Unlisted stocks	120,334

(*3) Please refer to “Derivative Transactions” under “Notes to Consolidated Financial Statements.”

(Notes) 1. Expected redemption amounts of monetary receivables and securities with maturity dates subsequent to the consolidated balance sheet date

As of March 31, 2021

(Thousands of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
(1) Cash and deposits	21,101,331	–	–	–
(2) Notes and accounts receivable - trade	21,143,908	–	–	–
(3) Electronically recorded monetary claims - operating	2,162,815	–	–	–
(4) Long-term loans receivable	–	13,325	590	352
Total	44,408,055	13,325	590	352

As of March 31, 2022

(Thousands of yen)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
(1) Cash and deposits	20,696,005	–	–	–
(2) Notes receivable - trade	1,785,477	–	–	–
(3) Accounts receivable - trade	21,413,866	–	–	–
(4) Electronically recorded monetary claims - operating	3,145,045	–	–	–
(5) Long-term loans receivable	–	1,693	608	223
Total	47,040,395	1,693	608	223

2. Projected repayment amounts of borrowings, bonds payable and lease liabilities subsequent to the consolidated balance sheet date

As of March 31, 2021

(Thousands of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
(1) Short-term borrowings	6,976,725	–	–	–	–	–
(2) Long-term borrowings	448,983	500,733	493,233	481,771	256,384	1,086,960
(3) Lease liabilities	20,560	12,180	6,533	4,804	2,594	248
Total	7,446,268	512,913	499,766	486,575	258,979	1,087,208

As of March 31, 2022

(Thousands of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
(1) Short-term borrowings	6,769,296	–	–	–	–	–
(2) Long-term borrowings	488,174	544,014	532,414	282,373	–	1,207,710
(3) Lease liabilities	14,444	9,825	7,072	3,420	455	–
Total	7,271,915	553,840	539,487	285,793	455	1,207,710

3. Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels on the basis of the observability and significance of the inputs used to calculate fair value:

Level 1 fair value: Fair value calculated using observable inputs that are market prices formed in active markets for the assets or liabilities for which fair value is to be calculated

Level 2 fair value: Fair value calculated using observable inputs other than those used to calculate Level 1 fair value

Level 3 fair value: Fair value calculated using unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

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

As of March 31, 2022

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	7,785,037	–	–	7,785,037
Total assets	7,785,037	–	–	7,785,037

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

As of March 31, 2022

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	–	2,526	–	2,526
Total assets	–	2,526	–	2,526
Short-term borrowings	–	6,769,296	–	6,769,296
Current portion of long-term borrowings	–	520,546	–	520,546
Lease liabilities (Current liabilities)	–	14,444	–	14,444
Long-term borrowings	–	2,543,446	–	2,543,446
Lease liabilities (Non-current liabilities)	–	20,774	–	20,774
Total liabilities	–	9,868,508	–	9,868,508

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

Investment securities

Listed shares are valued with quoted prices. Because listed shares are traded in active markets, their fair value is classified as Level 1 fair value.

Long-term loans receivable

The fair value of long-term loans receivable is calculated as the present value of the sum of principal and interest amounts, discounted using the estimated rates applicable for new loans, and is classified as Level 2 fair value.

Short-term borrowings and lease liabilities

Fair value is calculated as the present value of the sum of principal and interest amounts, discounted using the estimated rates applicable for similar new borrowings or lease transactions, and is classified as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is calculated as the present value of the sum of principal and

interest amounts, discounted using an interest rate that reflects the remaining term of the liability and credit risk, and is classified as Level 2 fair value. Long-term borrowings using floating interest rates are subject to the special accounting treatment for interest rate swaps. Fair value is calculated as the present value of the sum of principal and interest amounts treated as a single item together with the relevant interest rate swap, discounted using an interest rate that reflects the remaining term of the liability and credit risk, and is classified as Level 2 fair value.

Securities

1. Available-for-sale securities

As of March 31, 2021

(Thousands of yen)

	Carrying amount on the consolidated balance sheets	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount on the consolidated balance sheets exceeds their acquisition cost			
Stocks	7,270,717	1,711,912	5,558,805
Subtotal	7,270,717	1,711,912	5,558,805
Securities whose carrying amount on the consolidated balance sheets does not exceed their acquisition cost			
Stocks	339,248	362,689	(23,440)
Subtotal	339,248	362,689	(23,440)
Total	7,609,965	2,074,601	5,535,364

(Note) As unlisted stocks (126,302 thousand yen reported on the consolidated balance sheets) have no market prices and it is considered to be extremely difficult to determine their fair values, they are not included in the table above.

As of March 31, 2022

(Thousands of yen)

	Carrying amount on the consolidated balance sheets	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount on the consolidated balance sheets exceeds their acquisition cost			
Stocks	7,562,409	1,594,730	5,967,678
Subtotal	7,562,409	1,594,730	5,967,678
Securities whose carrying amount on the consolidated balance sheets does not exceed their acquisition cost			
Stocks	222,627	276,183	(53,555)
Subtotal	222,627	276,183	(53,555)
Total	7,785,037	1,870,914	5,914,122

(Note) As unlisted stocks (120,334 thousand yen reported on the consolidated balance sheets) have no market prices, they are not included in the table above.

2. Available-for-sale securities that were sold during the fiscal year

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
Stocks	31,496	10,768	—

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
Stocks	317,674	106,010	3,409

3. Impairment loss on securities

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

As of March 31, 2021

Not applicable.

As of March 31, 2022

Not applicable.

(2) Interest rate-related transactions

As of March 31, 2021

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount	Contract amount due after 1 year	Fair value
Exceptional accrual method for interest rate swaps	Interest rate swap contracts Receive floating / Pay fixed	Long-term borrowings	1,173,370	911,770	(Note)

(Note) Since items subject to the exceptional accrual method for interest rate swaps are accounted for together with the long-term borrowings that are the hedged items, the fair values thereof are included in the fair values of the corresponding long-term borrowings.

As of March 31, 2022

(Thousands of yen)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount	Contract amount due after 1 year	Fair value
Exceptional accrual method for interest rate swaps	Interest rate swap contracts Receive floating / Pay fixed	Long-term borrowings	1,008,801	728,826	(Note)

(Note) Since items subject to the exceptional accrual method for interest rate swaps are accounted for together with the long-term borrowings that are the hedged items, the fair values thereof are included in the fair values of the corresponding long-term borrowings.

Retirement Benefits

1. Summary of retirement benefit plans adopted

To cover retirement benefits to employees, the Company and its consolidated subsidiaries have adopted funded and unfunded defined-benefit plans.

Under the defined-benefit corporate pension plans, all of which are funded plans, lump-sum benefits or pensions are paid based on salary and service period.

Under the retirement lump-sum payment plans, all of which are unfunded plans, lump-sum benefits are paid as retirement benefits based on salary and service period. A retirement benefit trust has been established for the retirement lump-sum payment plans, all of which are unfunded plans, since May 2015.

For defined-benefit corporate pension plans and retirement lump-sum payment plans held by some consolidated subsidiaries, retirement benefit liability and retirement benefit expenses are calculated by a simplified method.

2. Defined-benefit plans

- (1) Reconciliation between balance of retirement benefit obligations at the beginning of period and that at the end of period

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Retirement benefit obligations at the beginning of period	5,973,089	5,891,642
Service cost	346,416	396,831
Interest cost	24,254	35,778
Actuarial differences	(89,762)	(2,272)
Retirement benefits paid	(285,857)	(292,624)
Other	(76,498)	(8,776)
Retirement benefit obligations at the end of period	5,891,642	6,020,580

- (2) Reconciliation between balance of plan assets at the beginning of period and that at the end of period

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Plan assets at the beginning of period	5,350,938	5,722,787
Expected return on plan assets	58,686	108,359
Actuarial differences	346,139	23,962
Contribution by employer	109,869	103,615
Retirement benefits paid	(109,750)	(112,726)
Other	(33,096)	—
Plan assets at the end of period	5,722,787	5,845,998

- (3) Reconciliation between balance of retirement benefit obligations and plan assets at the end of period and that of retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations from funded plans	2,866,595	2,861,980
Plan assets	(3,640,485)	(3,760,494)
	(773,890)	(898,514)
Retirement benefit obligations on unfunded plans	942,745	1,073,095
Net amount of liability and asset recorded in consolidated balance sheets	168,854	174,581
Retirement benefit asset	(883,374)	(962,148)
Retirement benefit liability	1,052,229	1,136,730
Net amount of liability and asset recorded in consolidated balance sheets	168,854	174,581

(4) Retirement benefit expenses

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Service cost	346,416	396,831
Interest cost	24,254	35,778
Expected return on plan assets	(58,686)	(108,359)
Amortization of actuarial differences	171,490	47,442
Other	(4,426)	(13,457)
Retirement benefit expenses on defined-benefit plans	479,048	358,235

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deducting tax effect) are as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Actuarial differences	(607,393)	(73,677)

(6) Remeasurements of defined benefit plans (Accumulated other comprehensive income)

The components of remeasurements of defined benefit plans (before deducting tax effect) are as follows:

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
Unrecognized actuarial differences	(66,333)	(140,010)

(7) Plan assets

i) Main components of plan assets

The ratios of components to total plan assets by major category are as follows:

	As of March 31, 2021	As of March 31, 2022
Bonds	10.1%	10.4%
Stocks	18.1%	18.7%
Cash and deposits	5.2%	5.3%
Insurance assets (general accounts)	7.3%	7.3%
Investment trust	36.4%	35.7%
Shared operating assets	22.9%	22.7%
Total	100.0%	100.0%

(Note) Total plan assets includes the retirement benefit trust established for the retirement lump-sum payment plans, which accounts for 36.4% and 35.7% of the total amount as of March 31, 2021 and March 31, 2022, respectively.

ii) Method for establishing long-term expected rate of return on plan assets

To establish the long-term expected rate of return on plan assets, the current and forecasted allocation of plan assets and the current and expected future long-term rate of return from the various assets constituting the plan assets are taken into consideration.

(8) Calculation basis for actuarial assumptions

The main calculation basis for actuarial assumptions are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Discount rate	0.07%	0.19%
Long-term expected rate of return	1.70%	2.60%
Expected rate of salary increase	7.20%	7.20%

Income Taxes

1. Significant components of deferred tax assets and liabilities

	As of March 31, 2021	(Thousands of yen) As of March 31, 2022
Deferred tax assets		
Allowance for doubtful accounts	26,642	26,346
Retirement benefit liability	974,616	857,368
Impairment loss	275,453	407,849
Provision for bonuses	203,510	198,324
Loss on valuation of investment securities	175,663	173,607
Asset retirement obligations	52,773	98,743
Net operating losses carryforward (Note)	185,189	142,443
Other	611,585	660,770
Subtotal of deferred tax assets	2,505,434	2,565,454
Valuation allowance related to net operating losses carryforward (Note)	(171,910)	(140,874)
Valuation allowance related to total deductible temporary difference, etc.	(466,417)	(451,254)
Subtotal of valuation allowance	(638,327)	(592,129)
Total deferred tax assets	1,867,107	1,973,325
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,550,636)	(1,677,344)
Retirement benefit asset	(405,472)	(275,124)
Reserve for advanced depreciation of non-current assets	(22,790)	—
Property, plant and equipment (asset retirement obligations)	(24,960)	(38,989)
Reserved profit of overseas consolidated subsidiaries	(467,231)	(495,856)
Other	(522,847)	(526,784)
Total deferred tax liabilities	(2,993,938)	(3,014,101)
Net deferred tax assets (liabilities)	(1,126,831)	(1,040,775)

(Note) Amounts of tax loss carryforward and related deferred tax assets by carryforward period
As of March 31, 2021

	(Thousands of yen)						
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carryforward (a)	16,072	37,892	29,871	11,208	7,952	82,191	185,189
Valuation allowance	(16,072)	(37,892)	(29,871)	(11,208)	(7,952)	(68,912)	(171,910)
Deferred tax assets	—	—	—	—	—	13,279	(b) 13,279

(a) Figures for tax loss carryforward are the amounts multiplied by effective statutory tax rate.

(b) For the tax loss carryforward of 185,189 thousand yen (amount multiplied by effective statutory tax rate), deferred tax assets of 13,279 thousand yen have been recorded. The deferred tax assets of 13,279 thousand yen have been recognized primarily for a portion of the balance of tax loss carryforward in the amount of 40,846 thousand yen (amount multiplied by effective statutory tax rate) of RIKEN AMERICAS CORPORATION and RIKEN ELASTOMERS CORPORATION, consolidated subsidiaries. For the said tax loss carryforward that was determined to be recoverable as future taxable income was anticipated, valuation allowance has not been recognized.

As of March 31, 2022

(Thousands of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carryforward (a)	42,101	23,727	12,454	8,836	4,221	51,103	142,443
Valuation allowance	(42,101)	(23,727)	(12,454)	(8,836)	(4,221)	(49,534)	(140,874)
Deferred tax assets	–	–	–	–	–	1,568	(b) 1,568

(a) Figures for tax loss carryforward are the amounts multiplied by effective statutory tax rate.

(b) For the tax loss carryforward of 142,443 thousand yen (amount multiplied by effective statutory tax rate), deferred tax assets of 1,568 thousand yen have been recorded. The deferred tax assets of 1,568 thousand yen have been recognized primarily for a portion of the balance of tax loss carryforward in the amount of 1,129 thousand yen (amount multiplied by effective statutory tax rate) of RIMTEC CORPORATION, a consolidated subsidiary. For the said tax loss carryforward that was determined to be recoverable as future taxable income was anticipated, valuation allowance has not been recognized.

2. Reconciliation between the effective statutory tax rate and the effective tax rate

	As of March 31, 2021	As of March 31, 2022
Effective statutory tax rate	30.6%	30.6%
Adjustments		
Expenses not deductible permanently such as entertainment expenses	0.5	0.5
Income not taxable permanently such as dividends income	(0.9)	(0.9)
Foreign withholding taxes	0.4	0.3
Change in valuation allowance	(3.2)	(0.7)
Tax rate differences from overseas consolidated subsidiaries	(3.6)	(2.5)
Other	0.5	1.3
Effective tax rate	24.4	28.5

Business Combinations

Transaction under common control

(1) Overview of transaction

i) Name and description of the relevant business

Name of business: Food wrapping film manufacture and sale business

Description of business: Manufacture and sale of food wrapping film

ii) Date of business combination

January 1, 2022

iii) Legal form of business combination

Absorption-type merger of the Company and RIKEN FABRO CORPORATION (a consolidated subsidiary of the Company), with the Company as the surviving company and RIKEN FABRO CORPORATION as the non-surviving company.

iv) Company name after the business combination

RIKEN TECHNOS CORPORATION (the Company)

v) Other matters concerning the overview of the transaction

Through this merger of the Company, responsible for development/manufacturing in the food wrapping film business, and RIKEN FABRO CORPORATION, responsible for sales, the Company aims to achieve even more efficient Group management by consolidating management resources, and further deepen coordination between development/manufacturing and sales to enhance both development and sales capabilities in the food wrapping film business.

(2) Overview of accounting treatment applied

The transaction was treated as a transaction under common control, in accordance with “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

Asset retirement obligations

This information has been omitted due to its insignificance.

Rental properties and other real estate

This information has been omitted due to its insignificance.

Revenue recognition

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

Information on the breakdown of revenue generated from contracts with customers is as stated in “Segment Information and Others.”

2. Information fundamental to an understanding of revenue generated from contracts with customers

Information fundamental to an understanding of revenue generated from contracts with customers is as stated in “5. Accounting policies (5) Significant standards for the recognition of revenue and expenses” under “Significant Matters in Preparing Consolidated Financial Statements.”

Segment Information and Others

Segment Information

1. Summary of reportable segments

(1) Method of determining reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and that are evaluated regularly by the Board of Directors to determine allocation of management resources and assess performance.

The Company has business units by market at the head office. Each business unit supervises and plans its own domestic and overseas strategies by market and conducts global business activities.

Accordingly, the Group has classified the reportable segments based on markets and has four reportable segments, "transportation," "daily life & healthcare," "electronics," and "building & construction."

(2) The name, abbreviation, and main markets of each respective reportable segment

The name, abbreviation, and main markets of each respective reportable segment are as follows:

Transportation (TR): automobile, railroad, and shipping markets, etc.

Daily Life & Healthcare (DH): healthcare, materials for daily life, and food wrapping film markets, etc.

Electronics (EL): energy, communications, and IT equipment markets, etc.

Building & Construction (BC): housing, buildings, construction materials, and civil engineering markets

(Note) The terms in parentheses are abbreviations for the reportable segments.

2. Method for calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

Accounting policies of reported business segments are mostly consistent with those disclosed in "Significant Matters in Preparing Consolidated Financial Statements."

Segment profit is calculated on an operating profit basis.

Intersegment sales and transfers are based on actual market prices.

In addition, the Company has applied the Revenue Recognition Accounting Standard, etc., effective from the beginning of the current fiscal year, as stated in "Changes in Accounting Policies," and changed the accounting method for revenue recognition, so it has similarly changed the method for calculating the profit (loss) of business segments.

As a result of this change, for the current fiscal year, in the Transportation (TR) segment, net sales decreased by 6,932 thousand yen and segment profit decreased by 8,243 thousand yen, compared to the amounts calculated using the previous method. In the Daily Life & Healthcare (DH) segment, net sales decreased by 10,622 thousand yen and segment profit decreased by 3,442 thousand yen. In the Electronics (EL) segment, net sales decreased by 2,807 thousand yen and segment profit increased by 6,365 thousand yen. In the Building & Construction (BC) segment, net sales decreased by 472,875 thousand yen and segment profit increased by 1,004 thousand yen.

3. Information about net sales, profit or loss, assets, liabilities and other items by reportable segment, and revenue breakdown

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated statements of income (Note 3)
	TR	DH	EL	BC	Total				
Net sales									
(1) Sales to external customers	24,310,922	25,037,406	17,430,259	21,033,635	87,812,224	412,217	88,224,442	—	88,224,442
(2) Intersegment sales or transfers	—	130	—	—	130	208,703	208,834	(208,834)	—
Total	24,310,922	25,037,537	17,430,259	21,033,635	87,812,355	620,921	88,433,276	(208,834)	88,224,442
Segment profit (loss)	2,146,604	2,740,934	379,442	(33,580)	5,233,402	2,251	5,235,653	78,010	5,313,663
Segment assets	6,831,749	9,859,907	10,152,914	6,290,898	33,135,469	247,607	33,383,077	61,825,783	95,208,860
Others									
Depreciation	1,401,519	544,514	877,948	888,682	3,712,665	339	3,713,004	—	3,713,004
Amortization of goodwill	—	—	200,000	1,455	201,455	—	201,455	—	201,455
Increase in property, plant and equipment and intangible assets	—	264,095	42,761	—	306,856	—	306,856	3,372,929	3,679,785

(Notes) 1. The “Other” category is the business segment that is not included in the reportable segments, and represents the purchase and sales of raw materials, etc.

2. The adjustment to segment profit (loss) represents 78,010 thousand yen in inter-segment eliminations.

The adjustment to segment assets represents – thousand yen in inter-segment eliminations and 61,825,783 thousand yen in corporate assets. The corporate assets mainly include funds to manage surplus assets (cash and deposits), long-term investment funds (investment securities) and assets related to the administration division.

3. Segment profit (loss) is adjusted to operating profit in the consolidated statements of income.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded on the consolidated statements of income (Note 3)
	TR	DH	EL	BC	Total				
Net sales									
Revenue generated from contracts with customers	32,457,128	30,688,631	21,493,631	25,154,398	109,793,790	129,915	109,923,705	—	109,923,705
Sales to external customers	32,457,128	30,688,631	21,493,631	25,154,398	109,793,790	129,915	109,923,705	—	109,923,705
Intersegment sales or transfers	—	117	—	1,515	1,632	295,412	297,045	(297,045)	—
Total	32,457,128	30,688,748	21,493,631	25,155,914	109,795,423	425,328	110,220,751	(297,045)	109,923,705
Segment profit	2,737,512	1,856,535	439,229	1,131,128	6,164,406	23,776	6,188,183	103,859	6,292,043
Segment assets	8,862,537	11,283,041	10,932,274	7,394,848	38,472,701	266,176	38,738,877	63,902,606	102,641,484
Others									
Depreciation	1,332,080	583,736	833,104	756,956	3,505,876	215	3,506,091	—	3,506,091
Amortization of goodwill	—	—	138,750	1,455	140,205	—	140,205	—	140,205
Impairment loss	—	—	319,144	—	319,144	—	319,144	—	319,144
Increase in property, plant and equipment and intangible assets	—	271,653	19,250	—	290,904	—	290,904	2,209,079	2,499,984

(Notes) 1. The “Other” category is the business segment that is not included in the reportable segments, and represents the purchase and sales of raw materials, etc.

2. The adjustment to segment profit represents 103,859 thousand yen in inter-segment eliminations.

The adjustment to segment assets represents – thousand yen in inter-segment eliminations and 64,750,958 thousand yen in corporate assets. The corporate assets mainly include funds to manage surplus assets (cash and deposits), long-term investment funds (investment securities) and assets related to the administration division.

3. Segment profit is adjusted to operating profit in the consolidated statements of income.

Related Information

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information by product and service

(Thousands of yen)

	TR	DH	EL	BC	Other	Total
Sales to external customers	24,310,922	25,037,406	17,430,259	21,033,635	412,217	88,224,442

2. Information by geographical area

(1) Net sales

(Thousands of yen)

Japan	Thailand	U.S.	China	Europe	Other regions	Total
50,560,955	9,753,790	9,138,584	6,558,981	111,531	12,100,598	88,224,442

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Thailand	U.S.	China	Europe	Other regions	Total
13,466,164	3,124,483	4,624,529	1,336,072	–	2,919,715	25,470,963

3. Information by major customer

This information has been omitted as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statements of income.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

(Thousands of yen)

	TR	DH	EL	BC	Other	Total
Sales to external customers	32,457,128	30,688,631	21,493,631	25,154,398	129,915	109,923,705

2. Information by geographical area

(1) Net sales

(Thousands of yen)

Japan	Thailand	U.S.	China	Europe	Other regions	Total
57,425,206	12,719,592	14,377,497	8,861,802	144,451	16,395,155	109,923,705

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Thailand	U.S.	China	Europe	Other regions	Total
13,241,665	2,839,504	4,904,541	1,404,035	–	2,747,123	25,136,870

3. Information by major customer

This information has been omitted as there is no major external customer that accounts for 10% or more of the net sales recorded on the consolidated statements of income.

Information about Impairment Loss on Non-current Assets by Reportable Segment

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

This information has been omitted as identical information is disclosed in segment information.

Information about Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Reportable segment					Other	Total	Adjustment	Amount recorded on the consolidated financial statements
	TR	DH	EL	BC	Total				
Balance as of March 31, 2021	–	–	533,333	8,730	542,063	–	542,063	–	542,063

(Note) Amortization of goodwill has been omitted, as identical information is disclosed in segment information.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segment					Other	Total	Adjustment	Amount recorded on the consolidated financial statements
	TR	DH	EL	BC	Total				
Balance as of March 31, 2022	–	–	–	7,275	7,275	–	7,275	–	7,275

(Notes) 1. Amortization of goodwill has been omitted, as identical information is disclosed in segment information.
2. Impairment loss on goodwill of 231,250 thousand yen was recorded in the EL segment.

Information about Gain on Bargain Purchase by Reportable Segment

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

Information on Related Parties

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

Per Share Information

(Yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	852.51	914.83
Basic earnings per share	51.22	62.47

(Notes) 1. Diluted earnings per share is not presented because there are no potential shares.

2. The basis used for calculating basic earnings per share is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit attributable to owners of parent (Thousands of yen)	3,234,206	3,941,418
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent regarding common stock (Thousands of yen)	3,234,206	3,941,418
Average number of shares of common stock outstanding during the period (Shares)	63,146,542	63,090,216

(Note) Shares in the Company remaining at the trust that were recorded as treasury shares under shareholders' equity have been included in the treasury shares that should be deducted in calculating the average number of shares outstanding during the period for the purpose of calculating basic earnings per share.

The average number of treasury shares during the period that were deducted for the purpose of calculating basic earnings per share was 721 thousand shares for the fiscal year ended March 31, 2021 and 1,023 thousand shares for the fiscal year ended March 31, 2022.

3. The basis used for calculating net assets per share is as follows.

	As of March 31, 2021	As of March 31, 2022
Total net assets (Thousands of yen)	61,076,854	65,448,500
Deduction from total net assets (Thousands of yen)	7,335,533	7,686,429
[Of the above, non-controlling interests (Thousands of yen)]	[7,335,533]	[7,686,429]
Net assets related to common stock (Thousands of yen)	53,741,320	57,762,070
Number of treasury shares of common stock (Shares)	1,074,844	973,846
Number of shares of common stock outstanding used for calculation of net assets per share (Shares)	63,038,975	63,139,973

(Note) Shares in the Company remaining at the trust that were recorded as treasury shares under shareholders' equity have been included in the treasury shares that should be deducted from the total number of shares outstanding at the fiscal year-end for the purpose of calculating net assets per share.

The number of treasury shares at the fiscal year-end that were deducted for the purpose of calculating net assets per share was 1,074 thousand shares for the fiscal year ended March 31, 2021, and 973 thousand shares for the fiscal year ended March 31, 2022.

4. As stated in the “Changes in Accounting Policies,” the Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. effective from the beginning of the current fiscal year. As a result, net assets per share and basic earnings per share each decreased by 0.04 yen compared to the amounts calculated using the previous method.

Significant Subsequent Events

Not applicable.

e. Consolidated Supporting Schedules

Detailed Statement of Bonds

Not applicable.

Detailed Statement of Borrowings

Category	Balance as of March 31, 2021 (Thousands of yen)	Balance as of March 31, 2022 (Thousands of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	6,976,725	6,769,296	0.8	–
Current portion of long-term borrowings	448,983	488,174	2.7	–
Current portion of lease liabilities	20,560	14,444	–	–
Long-term borrowings (excluding current portion)	2,819,082	2,566,512	1.4	2023 – 2033
Lease liabilities (excluding current portion)	26,361	20,774	–	2023 – 2026
Other interest-bearing debt	–	–	–	–
Total	10,291,712	9,859,201	–	–

(Notes) 1. Method of calculating average interest rates

Average interest rates are calculated using the average outstanding balance during the period.

2. The amount of lease liabilities in the consolidated balance sheets includes the interest equivalent.

3. Repayment of long-term borrowings and lease liabilities scheduled within five years after the balance sheet date are as follows:

(Thousands of yen)

Category	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	544,014	532,414	282,373	–
Lease liabilities	9,825	7,072	3,420	455

Detailed Statement of Asset Retirement Obligations

As the amount of asset retirement obligations as of April 1, 2021 and March 31, 2022 is not more than 1% of the total amount of liabilities and net assets as of the same dates, this information is omitted pursuant to the provisions of Article 92-2 of the Ordinance on Consolidated Financial Statements.

(2) Others

Quarterly information for the fiscal year ended March 31, 2022

(Year-to-date period)	1st quarter	2nd quarter	3rd quarter	Fiscal year ended March 31, 2022
Net sales (Thousands of yen)	24,870,043	50,965,196	78,376,008	109,923,705
Profit before income taxes (Thousands of yen)	1,799,668	3,368,867	5,095,056	6,476,038
Profit attributable to owners of parent (Thousands of yen)	1,145,703	2,137,821	3,328,310	3,941,418
Basic earnings per share (Yen)	18.17	33.90	52.77	62.47

(Three-month period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (Yen)	18.17	15.73	18.87	9.71