FINANCIAL STATEMENTS

YEARS ENDED 31ST MARCH, 2022 AND 2021

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DAIHEN Corporation

2-1-11, Tagawa Yodogawa-ku

Osaka, Japan

DAIHEN CORPORATION
Consolidated Balance Sheets
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
ASSETS			
Current assets:			
Cash and deposits (Note 7 and 11)	¥24,823	¥19,261	$202,819
Receivables −			
Trade notes and accounts receivable (Note 8, 11 and 20)			
Unconsolidated subsidiaries and affiliates	364	222	2,974
Other	36,606	40,728	299,093
Loans and other accounts	3,252	2,905	26,571
Allowance for doubtful accounts	(432)	(575)	(3,530)
	39,790	43,280	325,108
Inventories (Note 10)	60,450	41,782	493,913
Other current assets	2,672	967	21,832
Total current assets	127,735	105,290	1,043,672
Property, plant and equipment (Note 13 and 15):			
Land	8,791	8,803	71,828
Buildings and structures	47,717	46,939	389,877
Machinery and equipment	57,616	55,656	470,757
Lease assets	1,341	1,339	10,957
Construction in progress	1,254	1,149	10,246
Total	116,719	113,886	953,665
Accumulated depreciation	(78,590)	(75,114)	(642,128)
Net property, plant and equipment	38,129	38,772	311,537
Intangible assets:			
Software	1,763	1,621	14,405
Other intangible assets	243	263	1,985
Total intangible assets	2,006	1,884	16,390
Investments and other assets:			
Investment securities (Note 11 and 12)	8,903	11,068	72,743
Investments in unconsolidated subsidiaries and affiliates (Note 11)	6,290	6,584	51,393
Deferred tax assets (Note 17)	1,220	1,116	9,968
Net defined benefit asset (Note 19)	9,666	8,880	78,977
Other	925	1,621	7,558
Allowance for doubtful accounts	(72)	(82)	(588)
Total investments and other assets	26,932	29,187	220,051
Total assets	¥194,802	¥175,133	$1,591,650

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Balance Sheets
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
LIABILITIES			
Current liabilities:			
Short-term loans (Note 11, 15 and 16)	¥5,658	¥6,085	$46,229
Long-term debt due within one year (Note 11, 15 and 16)	4,511	4,226	36,858
Trade notes and accounts payable (Note 11)			
Unconsolidated subsidiaries and affiliates	419	179	3,423
Other	18,646	15,294	152,349
Electronically recorded obligations –operating (Note 11)	20,262	14,160	165,553
Accrued employees’ bonuses	3,628	3,602	29,643
Accrued directors' and corporate auditors' bonuses	107	100	874
Allowance for loss on construction contracts	80	80	654
Income taxes payable	2,938	2,736	24,005
Other current liabilities (Note 9)	10,016	6,121	81,837
Total current liabilities	66,265	52,583	541,425
Long-term liabilities:			
Long-term debt (Note 11, 15 and 16)	17,436	19,365	142,463
Net defined benefit liability (Note 19)	1,904	1,951	15,557
Reserve for directors’ and corporate auditors’ retirement benefits	58	63	474
Asset retirement obligation	74	74	605
Deferred tax liabilities (Note 17)	1,113	2,340	9,094
Provision for construction expenses related to earhquake resistance renovation	624	669	5,098
Provision for loss on guarantees	517	—	4,224
Provision for product safety measures	14	19	114
Other noncurrent liabilities	1,161	1,148	9,486
Total long-term liabilities	22,901	25,629	187,115
Total liabilities	89,166	78,212	728,540
Contingent liabilities (Note 20)			
NET ASSETS (Note 22)			
Shareholders' equity:			
Common stock — (Note 6)	10,596	10,596	86,576
Authorized - 108,000 thousand shares in 2022 and 2021			
Issued - 27,103 thousand shares in 2022 and 2021			
Capital surplus	10,034	10,024	81,984
Retained earnings	74,981	66,996	612,640
Treasury stock, at cost — (Note 6)			
— 2,567 thousand shares in 2022			
— 2,420 thousand shares in 2021	(4,825)	(4,196)	(39,423)
Accumulated other comprehensive income:			
Net unrealized holding gains and losses on available-for-sale securities	3,876	5,256	31,669
Net deferred gains and losses on hedges	0	(13)	0
Foreign currency translation adjustments	3,332	1,146	27,225
Remeasurements of defined benefit plans	1,699	1.365	13,882
Total accumulated other comprehensive income	8,907	7,754	72,776
Noncontrolling interests	5,943	5,747	48,557
Total net assets	105,636	96,921	863,110
Total liabilities and net assets	¥194,802	¥175,133	$1,591,650

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statements of Income
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales (Note 13 and 23)	¥160,619	¥145,145	$1,312,354
Cost of sales (Note 10, 13 and 19)	111,940	98,299	914,617
Gross profit	48,679	46,846	397,737
Selling, general and administrative expenses (Note 19)	34,487	34,662	281,780
Operating income	14,192	12,184	115,957
Other income (expenses):			
Interest and dividend income	426	304	3,481
Interest expense	(281)	(194)	(2,296)
Foreign currency exchange gain (loss)	610	257	4,984
Gain on sales of investment securities	686	—	5,605
Share of profit of entities accounted for using equity method	154	808	1,258
Loss on valuation of investments in affiliated companies	(700)	—	(5,719)
Provision for loss on guarantees	(517)	—	(4,224)
Expense related to product accident (Note 21)	(11)	—	(90)
Provision of allowance for doubtful accounts	—	(522)	—
Loss on product accident measures	—	(115)	—
Business Structure Improvement Expenses	—	(72)	—
Reversal of allowance for doubtful accounts	135	—	1,103
Gain on extinguishment of tie-in shares	72	—	588
Other, net	689	476	5,629
Total other income (expenses)	1,263	942	10,319
Income before income taxes	15,455	13,126	126,277
Income taxes (Note 17):			
Current	4,915	3,987	40,159
Deferred	(683)	(495)	(5,581)
Profit	¥11,223	¥9,634	$91,699
Profit attributable to noncontrolling interests	238	223	1,945
Profit attributable to owners of parent	10,985	9,411	89,754

	Yen		U.S. dollars (Note 1)
Per share of common stock: (Note 2 (21))			
Net income per share	¥445.29	¥381.28	$3.64
Cash dividends applicable to the year	¥110.00	¥90.00	$0.90

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statement of Comprehensive Income
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Profit	¥11,223	¥9,634	$91,699
Other comprehensive income			
Net unrealized holding gains and losses on available-for-sale securities	(1,376)	2,271	(11,243)
Net deferred gains and losses on hedges	13	(19)	106
Foreign currency translation adjustments	2,203	(553)	18,000
Remeasurment of defined benefit plans	358	2,301	2,925
Share of other comprehensive income of affiliates accounted for using equity method	(13)	69	(106)
Total other comprehensive income (Note 5)	1,185	4,069	9,682
Comprehensive income	¥12,408	¥13,703	$101,381
Attributable to:			
Owners of parent	¥12,138	¥13,318	$99,175
Noncontrolling interests	¥270	¥385	$2,206

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statement of Changes in Net Assets
Years ended March 31, 2022 and 2021

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains and losses on available-for-sale securities	Net deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2020	¥10,596	¥10,016	¥59,628	¥(4,123)	¥2,987	¥7	¥1,704	¥(851)	¥5,380	¥85,344
Profit attributable to owners of parent	—	—	9,411	—	—	—	—	—	—	9,411
Treasury stock, net	—	8	—	(73)	—	—	—	—	—	(65)
Cash dividends paid - ¥82.5 per share (Note 6)	—	—	(2,043)	—	—	—	—	—	—	(2,043)
Net changes in items other than shareholders' equity	—	—	—	—	2,269	(20)	(558)	2,216	367	4,274
Balance at March 31, 2021	¥10,596	¥10,024	¥66,996	¥(4,196)	¥5,256	¥(13)	¥1,146	¥1,365	¥5,747	¥96,921
Cumulative effects of changes in accounting policies	—	—	¥(586)	—	—	—	—	—	¥(25)	¥(611)
Restated balance	¥10,596	¥10,024	¥66,410	¥(4,196)	¥5,256	¥(13)	¥1,146	¥1,365	¥5,722	¥96,310
Profit attributable to owners of parent	—	—	10,985	—	—	—	—	—	—	10,985
Treasury stock, net	—	10	—	(629)	—	—	—	—	—	(619)
Cash dividends paid - ¥97.5 per share - (Note 6)	—	—	(2,414)	—	—	—	—	—	—	(2,414)
Net changes in items other than shareholders' equity	—	—	—	—	(1,380)	13	2,186	334	221	1,374
Balance at March 31, 2022	¥10,596	¥10,034	¥74,981	¥(4,825)	¥3,876	¥0	¥3,332	¥1,699	¥5,943	¥105,636

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains and losses on available-for-sale securities	Net deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2021	$86,576	$81,902	$547,398	$(34,284)	$42,944	$(106)	$9,364	$11,153	$46,956	$791,903
Cumulative effects of changes in accounting policies	—	—	($4,788)	—	—	—	—	—	($204)	($4,992)
Restated balance	$86,576	$81,902	$542,610	$(34,284)	$42,944	$(106)	$9,364	$11,153	$46,752	$786,911
Profit attributable to owners of parent	—	—	89,754	—	—	—	—	—	—	89,754
Treasury stock, net	—	82	—	(5,139)	—	—	—	—	—	(5,057)
Cash dividends paid - ¥0.80 per share (Note 6)	—	—	(19,724)	—	—	—	—	—	—	(19,724)
Net changes in items other than shareholders' equity	—	—	—	—	(11,275)	106	17,861	2,729	1,805	11,226
Balance at March 31, 2022	$86,576	$81,984	$612,640	$(39,423)	$31,669	$0	$27,225	$13,882	$48,557	$863,110

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥15,455	¥13,126	$126,277
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation	5,036	5,122	41,147
Increase (decrease) in allowance for doubtful accounts	(154)	522	(1,258)
Increase (decrease) in accrued employees' bonuses	(5)	730	(41)
Increase (decrease) in allowance for loss on construction contracts	0	23	0
Increase (decrease) in provision for loss on guarantees	517	—	4,224
Increase (decrease) in provision for construction expenses related to earthquake resistance renovation	(45)	(37)	(368)
Increase (decrease) in provision for product safety measures	(4)	(25)	(33)
Increase (decrease) in net defined benefit liability	(64)	(12)	(523)
Decrease (increase) in net defined benefit asset	(278)	(143)	(2,271)
Interest and dividend income	(426)	(304)	(3,481)
Interest expense	281	195	2,296
Share of loss (profit) of entities accounted for using equity method	(154)	(808)	(1,258)
Loss (gain) on extinguishment of tie-in shares	(72)	—	(588)
Loss (gain) on valuation of investment securities	11	—	90
Loss (gain) on sale of investment securities	(686)	—	(5,605)
Loss on valuation of investments in capital of subsidiaries and associates	700	—	5,719
Loss on product accident measures	—	115	—
Decrease (increase) in trade notes and accounts receivable	4,885	(2,600)	39,913
Decrease (increase) in inventories	(16,482)	314	(134,668)
Increase (decrease) in trade notes and accounts payable	8,358	1,877	68,290
Other, net	320	(1,109)	2,615
Subtotal	17,193	16,905	140,477
Interest and dividends received	784	308	6,406
Interest paid	(282)	(195)	(2,304)
Income taxes paid	(4,745)	(3,080)	(38,770)
Net cash provided by operating activities	12,950	13,938	105,809
Cash flows from investing activities:			
Decrease in time deposits	(219)	—	(1,789)
Decrease in short-term loans receivable, net	—	(389)	—
Purchases of property, plant and equipment	(3,430)	(3,259)	(28,025)
Proceeds from sales of property, plant and equipment	109	119	891
Purchases of intangible assets	(576)	(365)	(4,706)
Purchases of investment in securities	(6)	(6)	(49)
Proceeds from sales of investment in securities	861	—	7,035
Proceeds from investments	26	11	212
Other, net	(64)	(11)	(524)
Net cash used in investing activities	(3,299)	(3,900)	(26,955)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(469)	(878)	(3,832)
Proceeds from long-term loans	2,500	1,500	20,427
Repayment of long-term loans	(4,084)	(3,784)	(33,369)
Repayment of lease obligations	(176)	(275)	(1,438)
Purchase of treasury stock	(636)	(79)	(5,197)
Cash dividends paid	(2,412)	(2,042)	(19,707)
Other, net	(31)	(18)	(254)
Net cash provided by (used in) financing activities	(5,308)	(5,576)	(43,370)
Effect of exchange rate changes on cash and cash equivalents	930	(222)	7,600
Net increase (decrease) in cash and cash equivalents	5,273	4,240	43,084
Cash and cash equivalents at beginning of year	19,071	14,831	155,822
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	65	—	531
Cash and cash equivalents at end of year (Note 7)	¥24,409	¥19,071	$199,437

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of DAIHEN Corporation (“the Company”) and its consolidated subsidiaries (together “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(1) Consolidation
The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control by the Company. Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Investments in the remaining subsidiaries and affiliates are stated at cost.

There were 28 consolidated subsidiaries as of March 31, 2022 and 2021 and 3 companies accounted for using the equity method as of March 31, 2022 and 2021. In 2022 and 2021, there were 14 consolidated subsidiaries consolidated using a fiscal period ending December 31, which differs from the March 31 fiscal year-end of the Company. Any material effects occurring during the January 1 to March 31 periods have been adjusted for in the consolidated financial statements.

On July 1, 2021, an absorption-type merger was conducted with DAIHEN FUSE Co., Ltd., a consolidated subsidiary, as the surviving company and DAIHEN Aomori Co., Ltd., a non-consolidated subsidiary, as the absorbed company. DAIHEN FUSE CO., LTD. changed its trade name to DAIHEN Aomori Co., Ltd. on the same date.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to noncontrolling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

(2) Cash and cash equivalents
In preparing the consolidated statements of cash flows, the Companies consider cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase to be cash and cash equivalents.

(3) Allowance for doubtful accounts
The allowance for doubtful accounts is provided for in an amount sufficient to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based upon the actual rate of historical bad debts. For certain doubtful accounts, the uncollectible amount is individually estimated.

(4) Securities
The Companies classify securities as either (a) equity securities issued by subsidiaries and affiliated companies or (b) all other securities (hereinafter, "available-for-sale securities"). Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market value are stated at moving average cost.

If the market value of available-for-sale securities declines significantly and is not expected to recover, the securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as a loss incurred in the period. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for using the equity method is not readily available, the securities should be written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly and is not expected to recover. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(5) Inventories
Inventories are stated at the lower of cost or net realizable value. Finished goods and work-in-process are stated at the lower of the cost using the gross average method or net realizable value. Raw materials, supplies and merchandise are stated principally at last purchase cost or net realizable value.

(6) Property, plant and equipment (except for lease assets)
Property, plant and equipment are stated at cost. Depreciation is provided primarily using the declining balance method, except for buildings, structures and machinery and equipment at the plant in Mie prefecture, buildings (except for facilities attached to buildings) acquired after April 1 1998 and facilities attached to buildings and structures acquired after April 1, 2016, which are depreciated by the straight-line method. The useful life of an asset is determined in accordance with the Corporation Tax Law.

(7) Intangible assets (except for lease assets)
Software for internal use is amortized using the straight-line method over the estimated useful life of 5 years. Software for sale is amortized using the estimated sales method. Other intangible assets are amortized using the straight-line method over the useful life determined in accordance with the Corporation Tax Law.

(8) Lease assets
Lease assets with respect to finance leases that do not transfer ownership of the leased property are depreciated using the straight-line method, with the assumption that the useful life of the asset is the term of the lease and that the residual value is zero.

(9) Bonuses
As of the balance sheet date, accrued employees' bonuses are recorded in the amount of the estimated bonuses attributable to the respective fiscal year. Accrued bonuses to directors and corporate auditors also are provided for based on the estimated amounts attributable to the respective fiscal year.

(10) Allowance for loss on construction contracts
Allowance for loss on construction contracts is provided with respect to construction projects for which eventual losses can be reasonably estimated.

(11) Reserve for employees' severance and retirement benefits
In determining retirement benefit obligations, the estimated amount of retirement benefits is attributed to periods of service on the benefit formula basis.

Differences generated from changes in actuarial assumptions are charged or credited to income in an amount allocated on a straight-line method over 15 years, which is shorter than the average remaining service period of the employees, beginning with the term that in which the differences are generated.

In calculating the liability for employees' severance and retirement benefits and retirement benefit expenses, some consolidated subsidiaries adopt a simplified method in which the amount required to be paid if all the employees retired voluntarily at the fiscal year end is regarded as retirement benefit obligation.

(12) Reserve for directors' and corporate auditors' retirement benefits
Directors and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. The reserve for directors' and corporate auditors' retirement benefits is provided for in the amount deemed to be paid in accordance with the internal rules as if the directors and corporate auditors had retired at the fiscal year-end.

(13) Provision for loss on guarantees
In order to prepare for losses related to debt guarantees, the estimated amount of losses to be borne is recorded with consideration for the financial condition of the guaranteed party.

(14) Provision for construction expenses related to earthquake resistance renovation
An allowance for the estimated removal costs is provided with respect to anti-earthquake reinforcement work for the building and plant in the Juso head office and Mie plant.

(15) Provision for product safety measures
The Company provides for the estimated future payments for inspections of and repairs on our products, electric water heaters, manufactured and sold at one of the consolidated subsidiaries, Kyuhen Co., Inc.

(16) Income taxes
The asset-liability approach is used to recognize deferred tax assets and liabilities for loss carryforwards and the expected future tax consequences of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(17) Translation of foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates prevailing at each balance sheet date, and the resulting translation gains and losses are charged to income.

Income and expense items denominated in foreign currencies are translated using the rate on the date of the transaction. Related exchange gains and losses are credited or charged to income as incurred.

For the financial statements of overseas subsidiaries and affiliates, assets, liabilities, revenues and expenses are translated at the foreign exchange rates prevailing at each balance sheet date, while net assets accounts are translated at historical rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets.

(18) Research and development expenses
Research and development expenses, which are charged to income as incurred, amounted to ¥5,980 million ($48,863 thousand) and ¥5,397 million in 2022 and 2021, respectively.

(19) Derivatives and hedge accounting
The Companies state derivative financial instruments at fair value and recognize gains and losses resulting from changes in the fair value, except when derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains and losses resulting from changes in the fair value of the derivative financial instruments until the related losses and gains on the hedged items are recognized.

Also, if foreign exchange forward contracts are used as hedges and meet certain hedging criteria, the hedged items are stated at the forward exchange rates. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

(20) Basis for recognition of significant revenue and expenses
The Companies' main business is the manufacture, sale, and repair of various transformers, various welding machines, industrial robots, power sources for plasma generation, clean transport robots, etc.
In principle, revenue from the sale of this merchandise or finished goods is recognized at the time of delivery of the merchandise or finished goods, because it is in principle determined that the customer gains control over the merchandise or finished good at the time of delivery and that the Companies' performance obligation is satisfied.

In cases in which the period from shipping of the merchandise or finished goods to the transfer of control to the customers is ordinary, domestic sales are recognized at the time of shipping. In addition, export sales are recognized at the time of shipment as the time when the risk burden is transferred to the customer mainly based on the trade conditions specified in Incoterms, etc.
For certain merchandise or finished goods that require on-site installation adjustment, revenue is recognized when performance confirmation is completed after completion of the on-site installation adjustment.
Revenue from the repair of merchandise or finished goods is recognized when the repair is completed, in principle, because the performance obligation is deemed to be satisfied at that time.

(21) Per share information
Computations of net income per share of common stock are based on the weighted average number of shares of common stock outstanding during the fiscal year. Diluted net income per share for the year ended March 31, 2022 and 2021 is not shown because there were no dilutive common stock equivalents.

Declarations of dividends and appropriations of retained earnings are approved at the general meeting of shareholders held after the end of the fiscal year. These dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of such fiscal year. However, dividends per share shown in the accompanying consolidated statements of income reflect dividends applicable to the respective period.
As stated in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition. As a result, net income per share increased by 4.96 yen for the current consolidated fiscal year from the amount that would have been reported without the application of the new standard.

3. Changes in accounting policies

(a) Application of the accounting standard for revenue recognition, etc.
The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Standard") since the beginning of the current fiscal year. Under the Revenue Recognition Standard, the amount expected to be received for promised goods or services is recognized as revenue at the point when control of the goods or services transfers to the customer.
For certain merchandise or finished goods involving on-site installation and adjustment work by the Companies, revenue was previously recognized upon shipment of the merchandise or finished goods. With the new standard, however, revenue is recognized when performance confirmation is completed after completion of the on-site installation adjustment. The costs of on-site installation and adjustment work were previously recorded as selling, general and administrative expenses, but are now recorded as cost of sales.
Previously, in construction contracts in which the certainty of progress could be recognized for the portion of work completed, the percentage-of-completion method was applied, and for other work, the completed-contract method was applied. After consideration of the contracts and actual state of transactions, this has now changed and revenue is recognized when performance confirmation is completed after completion of the on-site installation adjustment.
The Company applies the alternative treatment set forth in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021). For sales of merchandise or finished goods within Japan, if the period from shipping until control of the merchandise or finished goods transfers to the customer is a normal one, the Company continues to recognize revenue upon shipping.
Sales rebates were previously treated as selling, general and administrative expenses. This has now changed and the rebates are subtracted from the transaction price.
In addition, in transactions in which products are supplied for a fee, previously, extinguishment had been recognized for the supplied products. In cases in which there is an obligation to purchase back the supplied products, extinguishment is not recognized for those supplied products.
For the application of the Revenue Recognition Standards, etc., the Company applies the transitional treatment set forth in Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of the retrospective application of the new accounting policy to prior periods has been added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policy has been applied from the beginning balance.
Based on the transitional measures in Article 89-3 of the Revenue Recognition Standard, notes on "Revenue Recognition" related to the previous consolidated fiscal year are not provided.
As a result, compared with the current year consolidated balance sheets before the application of the Revenue Recognition Standard, etc., trade notes and accounts receivable decreased by 3,534 million yen, merchandise and finished goods increased by 3,325 million yen, work in process increased by 1,098 million yen, raw materials and supplies increased by 1,518 million yen, and other current liabilities increased by 3,463 million yen in the consolidated balance sheets for the fiscal year under review. In the consolidated statements of income for the fiscal year under review, net sales decreased by 471 million yen, cost of sales increased by 779 million yen, selling, general and administrative expenses decreased by 1,451 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by 199 million yen, respectively.
As the cumulative effects of changes in accounting policies was reflected in net assets at the beginning of the fiscal year under review, the beginning balance of retained earnings and non-controlling interests decreased by 585 million yen and 25 million yen, respectively, in the consolidated statements of changes in equity.
The impact on per share information is stated in the relevant section.

(b) 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 "Fair Value Measurement Standard") since the beginning of the fiscal year under review and, in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Finan-

cial Instruments (ASBJ Statement No. 10, July 4, 2019), will prospectively apply the new accounting policy set forth in the Fair Value Measurement Standard, etc. There has been no impact on the consolidated financial statements.
In addition, information on the fair value of financial instruments by level of inputs is disclosed in the notes for "Financial Instruments." However, following the transitional treatment in Paragraph 7-4 of Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous fiscal year is not provided.

4. Changes in presentation

(Consolidated balance sheets)
"Electronically recorded obligations - operating," which was included in "Trade notes and accounts payable" for the previous fiscal year, has been presented as a separate item from the current fiscal year under review due to its increased significance in terms of amount. To reflect this change in presentation methods, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in the consolidated balance sheets for the previous fiscal year, 29,632 million yen presented as "Trade notes and accounts payable" has been reclassified as "Trade notes and accounts payable" of 15,472 million yen and "Electronically recorded obligations - operating" of 14,159 million yen.

5. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized holding gains and losses on securities arising during the year	¥(1,361)	¥3,271	$(11,120)
Reclassification adjustments	(675)	—	(5,515)
Subtotal, before tax	(2,036)	3,271	(16,635)
Tax effects	660	(1,000)	5,392
Subtotal, net of tax	¥(1,376)	¥2,271	$(11,243)
Net deferred gains and losses on hedges arising during the year	¥—	¥(18)	$—
Reclassification adjustments	18	(10)	147
Subtotal, before tax	18	(28)	147
Tax effects	(5)	9	(41)
Subtotal, net of tax	¥13	¥(19)	$106
Foreign currency translation adjustments arising during the year	¥2,203	¥(553)	$18,000
Remeasurements of defined benefit plans arising during the year	¥295	¥2,803	$2,410
Reclassification adjustments	221	458	1,806
Subtotal, before tax	516	3,261	4,216
Tax effects	(158)	(960)	(1,291)
Subtotal, net of tax	¥358	¥2,301	$2,925
Share of other comprehensive income of associates accounted for using the equity method arising during the year	¥(13)	¥69	$(106)
Total other comprehensive income	¥1,185	¥4,069	$9,682

6. Consolidated Statement of Changes in Net Assets

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

(1) Items related to common stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2021	Increase in number of shares	Decrease in number of shares (*1)	Number of shares as of March 31, 2022
Common stock	27,103	—	—	27,103

(2) Items related to treasury stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2021	Increase in number of shares (*1)	Decrease in number of shares (*2)	Number of shares as of March 31, 2022
Treasury stock	2,420	151	4	2,567

(Overview of reasons for fluctuations)
(*1) The increase of 151 thousand treasury ordinary stock consists of
: the increase of 150 thousand treasury stock acquired under the resolution of the Board of Directors' meeting on February 15, 2022
: the increase of 1 thousand treasury stock caused by purchase of fractional shares.
(*2) The decrease of 4 thousand treasury ordinary stock consists of
: the decrease of 4 thousand treasury stock caused by disposal of treasury stock as restricted stock.
: the decrease of 0 thousand treasury stock caused by disposal of fractional shares

(3) Items relate to dividends

(Resolution)	Type of shares	Dividends paid		Dividends per share		Record date	Effective date
		(Millions of yen)	Thousands of U.S. dollars	(Yen)	Thousands of U.S. dollars		
June 25, 2021 Annual General Meeting of Shareholders	Common stock	1,176	9,609	47.50	0.39	March 31, 2021	June 28, 2021
November 2, 2021, Board of Directors	Common stock	1,238	10,115	50.00	0.41	September 30, 2021	December 3, 2021

(4) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Source of dividends	Dividends paid		Dividends per share		Record date	Effective date
			(Millions of yen)	Thousands of U.S. dollars	(Yen)	Thousands of U.S. dollars		
June 28,2022 Annual General Meeting of Shareholders	Common stock	Retained earnings	1,477	12,068	60.00	0.49	March 31, 2022	June 29, 2022

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

(1) Items related to common stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2020	Increase in number of shares	Decrease in number of shares (*1)	Number of shares as of April 31, 2021
Common stock	27,103	–	–	27,103

(2) Items relate to treasury stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2020	Increase in number of shares (*1)	Decrease in number of shares (*2)	Number of shares as of April 31, 2021
Treasury stock	2,396	27	3	2,420

(Overview of reasons for fluctuations)

(*1) The increase of 27 thousand treasury ordinary stock consists of

: the increase of 25 thousand treasury stock acquired under the resolution of the Board of Directors' meeting on March 16, 2020

: the increase of 2 thousand treasury stock caused by purchase of fractional shares.

(*2) The decrease of 3 thousand treasury ordinary stock consists of

: the decrease of 3 thousand treasury stock caused by disposal of treasury stock as restricted stock.

: the decrease of 0 thousand treasury stock caused by disposal of fractional shares

(3) Items relate to dividends

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 25, 2020 Annual General Meeting of Shareholders	Common stock	991	40.00	March 31, 2020	June 26, 2020
November 6, 2020, Board of Directors	Common stock	1,052	42.50	September 30, 2020	December 3, 2020

(4) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Source of dividends	Dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 25, 2021 Annual General Meeting of Shareholders	Common stock	Retained earnings	1,176	47.50	March 31, 2021	June 28, 2021

7. Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets at March 31, 2022 and 2021 were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and deposits	¥24,823	¥19,261	$202,819
Time deposits with maturities exceeding three months	(414)	(190)	(3,383)
Cash and cash equivalents	¥24,409	¥19,071	$199,436

8. Trade notes and accounts receivable

The amounts of receivables arising from contracts with customers in trade notes and accounts receivable were as follows.

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Notes receivable - tradeCash and deposits	¥7,318	$59,792
Accounts receivable - trade	¥29,652	$242,275

9. Contract liabilities

The amount of contract liabilities included in other current liabilities was as follows.

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Contract liabilities	¥3,619	$29,569

10. Inventories

(1) Inventories at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Merchandise and finished goods	¥20,940	¥15,673	$171,092
Work-in-process	12,391	9,912	101,242
Raw materials and supplies	27,119	16,197	221,579
	¥60,450	¥41,782	$493,913

(2) The write-down of book values for inventories held for sale in the course of business due to decreased profitability for the years ended March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cost of sales	¥559	¥95	$4,567

11. Financial instruments and related disclosures

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Company's policy on cash investments is to invest mainly in short-term bank deposits. The Companies raise funds necessary for operating and investing activities through loans from banks and other financial institutions. The policy requires that the Companies use derivatives only to mitigate the risks described below and not to conduct speculative transactions for trading purposes.

(b) Details of financial instruments used and exposures to risks

Trade notes and trade accounts receivable are exposed to credit risks associated with customers. Trade receivables denominated in foreign currencies generated through global business operations are exposed to the risk of fluctuations in exchanges rates, mitigated through foreign exchange forward contracts. Investment securities, consisting mainly of stocks held primarily to build and maintain good business relationships with business partners, including financial institutions, are exposed to the risk of fluctuation in prices.

Most trade notes and accounts payable are due within one year. Some of these are exposed to foreign exchange rate fluctuation risk generated through the import of raw materials denominated in foreign currencies, which is mitigated principally through foreign exchange forward contracts. Loans are used primarily to raise short-term funds for operating activities, and long-term funds are used for investing activities. The final maturity of long-term debt is nine years after the fiscal year-end.

Derivative transactions consist primarily of foreign exchange forward contracts for hedging exchange rate fluctuation risk related to trade receivables and payables and interest swap contracts for hedging interest rate fluctuation risk related to long-term debt. "Summary of significant accounting policies," in Note 2(19) explains the Companies' hedge accounting policy, and "Derivative financial instruments and hedging transactions" in Note 14 shows in detail, including methods, hedged items and the recognition of gain or loss on hedged positions.

(c) Policies and processes for managing risk

(i) Credit risk management (risk arising from nonperformance of contracts by customers and counterparties)

The Company's business administration in each operating division has established a regular screening system to monitor the creditworthiness of major customers, conduct collection date control and review outstanding balances for each customer in accordance with the Company's regulations for credit management. These processes enable early detection and reduction of potential credit risk associated with customers' financial difficulties. The consolidated subsidiaries follow the same practices under their regulations for credit management.

For derivatives and deposits, the Companies enter into contracts only with highly rated financial institutions in order to minimize counterparty risk. The maximum credit risk at March 31, 2022 was represented by the book value of the financial instruments exposed to credit risk on the consolidated balance sheet.

(ii) Market risk management (managing the risks arising from fluctuations in exchange rates, interest rates and other indicators)
The Companies utilize mainly foreign exchange forward contracts in respect to trade receivables and trade payables denominated in foreign currencies to mitigate exchange rate fluctuation risk, which is monitored monthly for each currency. Monitoring foreign exchange markets closely, the Company applies foreign exchange forward contracts and currency swap to expected export transactions. The Companies also utilize interest rate swap contracts to mitigate the floating interest expense risk of long-term debt. For investment securities, the Companies manage the risk of fluctuations in stock prices by periodically assessing the stock prices and the financial positions of the issuers. The Companies evaluate whether to continue holding such investments, taking into account their fair values and the business relationship with the issuers.
The chief of the accounting division at the Companies' headquarters and each consolidated subsidiaries consider, trade and manage derivatives according to the Company's policies.

(iii) Liquidity risk management (managing the risks that the Companies may not be able to meet their obligations on their scheduled due dates)
The Company minimizes liquidity risk through the accounting division's timely preparation of cash flow plans based on reports from each division, business units and major subsidiaries.

(d) Supplemental information on fair values
The fair value of financial instruments is based on the quoted market price if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the notional amounts of derivatives in Note 14, "Derivative financial instruments and hedging transactions," are not necessarily indicative of the actual market risk involved in the derivative transactions themselves.

(e)Concentration of credit risk
At March 31, 2022, 12.2% of trade receivables related to certain large customers.

(2) Fair values of financial instruments
(a) Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2022 and 2021 are set forth in the table below. Certain financial instruments were excluded from the tables as their fair values were not available.

Year ended March 31, 2022	Millions of yen Book value	Fair value	Difference
Trade notes and accounts receivable	¥36,970	¥36,970	¥—
Investment securities	8,414	8,414	—
Total asset	¥45,384	¥45,384	¥—
Trade notes and accounts payable	¥19,065	¥19,065	¥—
Electronically recorded Obligations-operating	20,262	20,262	—
Short-term loans	5,658	5,658	—
Long-term loans	21,670	21,482	(188)
Total liabilities	¥66,655	¥66,467	¥(188)
Derivatives (*)	¥8	¥8	¥—

Year ended March 31, 2022	Thousands of U.S. dollars Book value	Fair value	Difference
Trade notes and accounts receivable	$302,067	$302,067	$—
Investment securities	68,747	68,747	—
Total assets	$370,814	$370,814	$—
Trade notes and accounts payable	$155,773	$155,773	$—
Electronically recorded Obligations-operating	165,553	165,553	—
Short-term loans	46,229	46,229	—
Long-term loans	177,057	175,521	(1,536)
Total liabilities	$544,612	$543,076	$(1,536)
Derivatives (*)	$(65)	$(63)	$—

Year ended March 31, 2021	Millions of yen Book value	Fair value	Difference
Trade notes and accounts receivable	¥40,950	¥40,950	¥—
Investment securities	¥10,573	¥10,573	—
Total assets	¥51,523	¥51,523	¥—
Trade notes and accounts payable	¥15,472	¥15,472	¥—
Electronically recorded Obligations -operating	14,159	14,159	—
Short-term loans	6,085	6,085	—
Long-term loans	23,254	23,332	78
Total liabilities	¥58,970	¥59,048	¥78
Derivatives (*2)	¥(18)	¥(18)	¥—

(*1) "Cash and deposits" is omitted as the fair values approximate the book values because the items are cash or are settled in a short period of time.

(*2) Net assets and liabilities arising from derivative transactions are presented on a net basis.

(b) The aggregate maturities subsequent to March 31, 2022 and 2021 for financial assets with maturities were as follows:

	Millions of yen		
Year ended March 31, 2022	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	¥24,823	¥—	¥—
Trade notes and accounts receivables	36,970	—	—
Total	¥61,793	¥—	¥—

	Thousands of U.S. dollars		
Year ended March 31, 2022	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	$202,819	$—	$—
Trade notes and accounts receivables	302,067	—	—
Total	$504,886	$—	$—

	Millions of yen		
Year ended March 31, 2021	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	¥19,261	¥—	¥—
Trade notes and accounts receivables	40,950	—	—
Total	¥60,211	¥—	¥—

(e) The aggregate maturities subsequent to March 31, 2021 and 2020 for long-term bank loans were as follows:

	Millions of yen					
Year ended March 31, 2022	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term loans	¥4,384	¥4,784	¥4,684	¥2,684	¥3,634	¥1,500

	Thousands of U.S. dollars					
Year ended March 31, 2022	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term loans	$35,820	$39,088	$38,271	$21,930	$29,692	$12,256

	Millions of yen					
Year ended March 31, 2021	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term loans	¥4,084	¥4,384	¥4,784	¥4,684	¥2,684	¥2,634

(3) Fair value hierarchy by level of financial inputs

(a) The fair value of financial instruments is classified into the following three levels according to the observability and significance of the inputs used to measure the fair value.

Level 1 : Fair values measured at quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 : Fair values measured by using directly or indirectly observable inputs other than Level 1 inputs

Level 3 : Fair values measured by using significant unobservable inputs

In cases in which multiple inputs that have a significant impact on the fair value are used, the fair value level is classified into the lowest level from which significant inputs are used.

(b) Financial instruments measured at fair value

For the fiscal year ended March 31, 2022

Division	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥8,414	¥—	¥—	¥8,414
Total	¥8,414	¥—	¥—	¥8,414
Derivatives trading	—	8	—	8
Total	¥—	¥8	¥–	¥8

Division	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥68,747	$—	$—	$68,747
Total	¥68,747	$—	$—	$68,747
Derivatives trading	—	65	—	65
Total	$—	$65	$—	$65

(c) Financial instruments other than financial instruments measured at fair value

For the fiscal year ended March 31, 2022

Division	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable	¥—	¥36,970	¥—	¥36,970
Total	¥—	¥36,970	¥—	¥36,970
Trade notes and accounts payable	—	19,065	—	19,065
Electronically recorded Obligations-operating	—	20,262	—	20,262
Short-term loans		5,658		5,658
Long-term loans	¥—	¥21,482	¥—	¥21.482
Total	¥—	¥66,467	¥—	¥66,467

Division	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable	$—	¥302,067	$—	¥302,067
Total	$—	¥302,067	$—	¥302,067
Trade notes and accounts payable	—	155,773	—	155,773
Electronically recorded Obligations-operating	—	165,553	—	165,553
Short-term loans		46,229		46,229
Long-term loans	$—	$175,521	$—	$175,521
Total	$—	$543,076	$—	$543,076

(d) Calculating the fair value of financial instruments and matters related to securities and derivative transactions

Cash and deposits, trade notes and accounts receivables:
The fair value approximates the book value because of the short-term maturities of these instruments.

Trade notes and accounts receivables:
The fair values of notes and accounts receivable are classified as Level 2 value because the fair values are measured at the present value of the receivables, using a discounted interest rate that takes into accounts the maturity and credit risk.

Investment securities:
Listed equity securities are classified as Level 1 fair value because they are exchanged in active markets.

Trade notes and accounts payables, electronically recorded obligations – operating and short-term loans:
The fair value of trade notes and accounts payable, electronically recorded monetary obligations – operating, short-term loans is classified as Level 2 fair value. Because the fair value is measured with the discounted present value method for each debt classified by a certain period of time based on the future cash flows and an interest rate that takes into account the period until repayment date and credit risk.

Long-term loans:
The fair value of long-term loans is classified as Level 2 fair value. Because the fair value is measured with the discounted present value method based on the sum of the principal and interest and an interest rate that takes into account the remaining term of the debt and credit risk.

Derivatives:
The fair values of interest rate swaps, foreign exchange forward contracts and currency swaps are based on prices provided by counterparty financial institutions, etc., are classified as Level 2 fair value.
The allocation method is applied for as an integral part of the hedged trade receivables and are therefore included in the fair value of the related trade receivables.

12. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values at March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Securities with fair values exceeding acquisition cost			
Acquisition cost:			
Equity securities	¥2,949	¥3,033	$24,095
Bonds	—	—	—
Other	—	—	—
	¥2,949	¥3,033	$24,095
Book value:			
Equity securities	¥8,315	¥10,401	$67,939
Bonds	—	—	—
Other	—	—	—
	¥8,315	¥10,401	$67,939
Difference:			
Equity securities	¥5,366	¥7,368	$43,844
Bonds	—	—	—
Other	—	—	—
	¥5,366	¥7,368	$43,844
Securities with fair values not exceeding acquisition cost			
Acquisition cost:			
Equity securities	¥124	¥213	$1,013
Bonds	—	—	—
Other	—	—	—
	¥124	¥213	$1,013
Book value:			
Equity securities	¥99	¥172	$809
Bonds	—	—	—
Other	—	—	—
	¥99	¥172	$809
Difference:			
Equity securities	¥(25)	¥(41)	$(204)
Bonds	—	—	—
Other	—	—	—
	¥(25)	¥(41)	$(204)
Total			
Acquisition cost	¥3,073	¥3,246	$25,108
Book value (fair value)	8,414	10,573	68,748
Difference	¥5,341	¥7,326	$43,640

(2) Total sales of available-for-sale securities

Year ended of March 31, 2022

	Millions of yen	Thousands of U.S. dollars
Amount of total sales:		
Equity securities	¥861	$7,035
Bonds	—	—
Other	—	—
	¥861	$7,035
Gain on sales:		
Equity securities	¥686	$5,605
Bonds	—	—
Other	—	—
	¥686	$5,605
Loss on sales:		
Equity securities	¥0	$0
Bonds	—	—
Other	—	—
	¥0	$0

Year ended of March 31, 2021

	Millions of yen
Amount of total sales:	
Equity securities	¥3
Bonds	—
Other	—
	¥3
Gain on sales:	
Equity securities	—
Bonds	—
Other	—
	—
Loss on sales:	
Equity securities	¥(2)
Bonds	—
Other	—
	¥(2)

(3) Impairment loss on investment securities

Impairment loss on available-for-sale securities is recorded for the securities whose market value represents a substantial decline of 50% or more and for those which have declined within a range of 30% or more but less than 50% if the decline is deemed to be irrecoverable. Impairment loss on available-for-sale securities is recorded for other than temporary impairment in the amount of ¥11 million ($90 thousand) for the year ended March 31, 2022.

13. Rental properties

The Company and certain domestic consolidated subsidiaries own rental condominiums, rental houses for the elderly and other rental properties. The net rental income from these properties amounted to ¥78 million ($637 thousand) and ¥99 million for the years ended March 31, 2022 and 2021, respectively. The Company classifies rental income as net sales and rental expenses as cost of sales.

The book value of rental property on the consolidated balance sheets, the amount of change in book value and the fair value as of March 31, 2022 and 2021 were as follows:

	Millions of yen			
Year ended	Book value			Fair value
March 31, 2022	March 31, 2021	Changes during the year	March 31, 2022	March 31, 2022
Rental property	¥1,954	¥(606)	¥1,348	¥3,819

	Thousands of U.S. dollars			
Year ended	Book value			Fair value
March 31, 2022	March 31, 2021	Changes during the year	March 31, 2022	March 31, 2022
Rental property	$15,965	$(4,951)	$11,014	$31,204

	Millions of yen			
Year ended	Book value			Fair value
March 31, 2021	March 31, 2020	Changes during the year	March 31, 2021	March 31, 2021
Rental property	¥1,644	¥310	¥1,954	¥4,326

The book value represents the net amount of acquisition cost less accumulated depreciation.
The main increase during the fiscal year ended March 31, 2022 was ¥127 million ($1,040 thousand) due to the renovation of rental properties, while the main decrease was depreciation and transfer to business assets in the amount of ¥689 million ($5,632 thousand).
The main increase during the fiscal year ended March 31, 2021 was ¥354 million due to the acquisition of real estate, while the main decrease was depreciation.
The fair value is based mainly on appraisal reports prepared by external real estate appraisers.

14. Derivative financial instruments and hedging transactions

(1) Derivatives not subject to hedge accounting

(a) Currency related

Year ended March 31, 2022

Division	Type of derivatives	Millions of yen			
		Contract amount	Portion over one year	Fair value	Valuation profit/loss
Transactions other than market transactions	Currency swap: Euro Yen receipt/Foreign currency payment	¥226	¥193	¥(8)	¥(8)
Total		¥226	¥193	¥(8)	¥(8)

Division	Type of derivatives	Millions of yen			
		Contract amount	Portion over one year	Fair value	Valuation profit/loss
Transactions other than market transactions	Currency swap: Euro Yen receipt/Foreign currency payment	$1,847	$1,577	$(65)	$(65)
Total		$1,847	$1,577	$(65)	$(65)

Not applicable for the year ended March 31, 2021.

(2) Derivatives subject to hedge accounting

(a) Currency related

Year ended March 31, 2022

Hedge accounting method	Type of derivatives	Hedged item	Millions of yen		
			Contract amount	Portion over one year	Fair value
Allocation method (*2)	Foreign exchange forward contracts				
	Sell: U.S. dollar	Trade accounts receivable	¥2,707	¥–	¥–
	Sell: Euro		715	–	–
	Sell: Korean won		146	–	–
	Sell: Taiwan dollar		408	–	–
	Currency swap				
	Euro Yen receipt/ Foreign currency payment	Loan	387	–	–
Total			¥4,363	¥–	¥–

Year ended March 31, 2022

Hedge accounting method	Type of derivatives	Hedged item	Thousands of U.S.dollars		
			Contract amount	Portion over one year	Fair value
Allocation method (*2)	Foreign exchange forward contracts				
	Sell: U.S. dollar	Trade accounts receivable	$22,118	$–	$–
	Sell: Euro		5,842	–	–
	Sell: Korean won		1,193	–	–
	Sell: Taiwan dollar		3,334	–	–
	Currency swap				
	Euro Yen receipt/ Foreign currency payment	Loan	3,162	–	–
Total			$35,649	$–	$–

Year ended March 31, 2021

Hedge accounting method	Type of derivatives	Hedged item	Millions of yen		
			Contract amount	Portion over one year	Fair value
Deferred hedge method (*1)	Foreign exchange forward contracts				
	Sell: U.S. dollar	Trade accounts receivable	¥819	¥—	¥(18)
Allocation method (*2)	Foreign exchange forward contracts				
	Sell: U.S. dollar	Trade accounts receivable	2,056	—	—
	Sell: Euro		261	—	—
	Sell: Korean won		69	—	—
	Sell: Taiwan dollar		955	—	—
Total			¥4,160	¥—	¥(18)

(*1) Estimated fair values are based on prices provided by financial institutions.

(*2) The allocation method requires recognized foreign currency receivables and payables to be translated using corresponding foreign exchange forward contract rates. The fair value of gain or loss resulting from foreign exchange forward contracts embedded in receivables and payables subject to hedging is included in the fair value of the corresponding receivable or payable.

(b) Interest rate related

Not applicable for the year ended March 31, 2022 and 2021.

15. Pledged assets

The following assets were pledged as collateral for short-term loans and long-term loans of ¥1,680 million ($13,727 thousand) and ¥1,680 million at March 31, 2022 and 2021,respectively.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Property, plant and equipment-net of accumulated depreciation	¥8,498	¥8,711	$69,434

In addition, property, plant and equipment provided for trade guarantees amounted to ¥343 million ($2,803 thousand) and ¥344 million at March 31, 2022 and 2021, respectively.

16. Short-term loans, long-term debt

The weighted average interest rate on short-term loans was 0.6% and 0.5% for each of the years ended March 31, 2022 and 2021,respectively.

Long-term debt at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loans from banks and insurance companies maturing through 2030 with interest rates ranging from 0.2% to 0.8%			
Secured	¥1,680	¥1,680	$13,727
Unsecured	19,990	21,574	163,330
Lease obligations	277	337	2,263
	21,947	23,591	179,320
Less amount due within one year	(4,511)	(4,226)	(36,858)
	¥17,436	¥19,365	$142,462

Substantially all of the loans with banks are made under general agreements as is customary in Japan. These agreements provide that, with respect to all present and future indebtedness to the banks, the Company and its consolidated domestic subsidiaries shall provide collateral at the request of any such bank, that any collateral provided under any agreement will be applicable to all indebtedness to the bank and that the lending bank has the right to offset deposits with them against any debt or obligation that becomes due and, in cases of default or certain other specified events, against all debts payable to the bank.

The aggregate annual maturities of long-term debt at March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥4,511	$36,858
2024	4,865	39,750
2025	4,715	38,524
2026	2,707	22,118
2027	3,644	29,774
2028 and thereafter	1,505	12,296
	¥21,947	$179,320

Year ended March 31, 2021

Years ending March 31	Millions of yen
2022	¥4,226
2023	4,494
2024	4,847
2025	4,696
2026	2,691
2027 and thereafter	2,637
	¥23,591

17. Income taxes

The Company and its subsidiaries are subject to a number of taxes based on income, which in the aggregate indicate a statutory income tax rate in Japan of approximately 30.6% for each of the years ended March 31, 2022 and 2021.

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Liability for retirement benefits	¥156	¥80	$1,275
Nondeductible bonuses accrued	986	1,063	8,056
Write-down of inventories	799	653	6,528
Unrealized gains of inventories	824	538	6,733
Provision for construction expenses related to earthquake resistance renovation	206	220	1,683
Retirement benefit trust assets	909	495	7,427
Carryforward tax loss (*1)	253	418	2,067
Other	1,287	845	10,516
Subtotal deferred tax assets	5,420	4,312	44,285
Valuation allowance for carryforward tax loss (*1)	(240)	(401)	(1,961)
Valuation allowance for deductible temporary differences	(568)	(342)	(4,641)
Valuation allowance – total	(808)	(743)	(6,602)
Total deferred tax assets	¥4,612	¥3,569	$37,683
Deferred tax liabilities:			
Gain on securities contributed to the retirement benefit trust	¥(956)	¥(887)	$(7,811)
Retained earnings appropriated for allowable tax reserves	(516)	(542)	(4,216)
Net unrealized gains on "available-for-sale-securities"	(1,595)	(2,204)	(13,032)
Land revaluation difference	(861)	(867)	(7,035)
Other	(576)	(293)	(4,706)
Total deferred tax liabilities	¥(4,504)	¥(4,793)	$(36,800)
Net deferred tax assets	¥108	¥(1,224)	$883

(*1) Carryforward tax loss and its deferred tax assets by expiration periods

Year ended March 31, 2022

	Millions of yen						
	2023	2024	2025	2026	2027	2028 and beyond	Total
Carryforward tax loss (*)	¥—	¥—	¥—	¥—	¥—	¥253	¥253
Valuation allowance	—	—	—	—	—	(240)	(240)
Net deferred tax assets	—	—	—	—	—	13	13

	Thousands of U.S.dollars						
	2023	2024	2025	2026	2027	2028 and beyond	Total
Carryforward tax loss (*)	$—	$—	$—	$—	$—	$2,067	$2,067
Valuation allowance	—	—	—	—	—	(1,961)	(1,961)
Net deferred tax assets	—	—	—	—	—	106	106

Year ended March 31, 2021

	Millions of yen						
	2022	2023	2024	2025	2026	2027 and beyond	Total
Carryforward tax loss (*)	¥—	¥—	¥—	¥—	¥1	¥417	¥418
Valuation allowance	—	—	—	—	(1)	(401)	(402)
Net deferred tax assets	—	—	—	—	—	16	16

(*) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate at March 31, 2022 and 2021 was as follows:

	2022	2021
Statutory income tax rate	30.6%	30.6%
(Reconciliation)		
Permanent difference (meals and entertainment, etc.)	0.7%	0.9%
Permanent difference (dividend income, etc.)	(0.1)%	(0.4)%
Inhabitants tax on per capita basis	0.3%	0.3%
Fluctuation in deferred tax assets valuation allowance account	1.0%	(0.5)%
Share of profit of entities accounted for using equity method	(0.3)%	(1.9)%
Different tax rates applied to foreign subsidiaries	(2.0)%	(2.2)%
Tax credit for research and development	(2.4)%	(1.6)%
Others	1.6%	1.4%
Effective income tax rate	27.4%	26.6%

18. Business Combinations

Transaction under common control

Absorption-type merger of a non-consolidated subsidiary by a consolidated subsidiary

(1) Outline of the transaction

1) Name of the parties to the combination and description of their business

Name of surviving company	DAIHEN FUSE Co., Ltd.
Description of business	Manufacture of various fuses, power distribution equipment and lightning protection equipment
Name of merged company	DAIHEN Aomori Co., Ltd.
Description of business	Manufacture of various fuses, power distribution equipment and lightning protection equipment

2) Date of the business combination

July 1, 2021

3) Legal format of the business combination

An absorption-type merger with DAIHEN FUSE Co., Ltd as the surviving company, and DAIHEN Aomori Co., Ltd. as the absorbed company

4) Name of the combined enterprise

DAIHEN Aomori Co., Ltd. The surviving company, DAIHEN Fuse Co., Ltd., changed its name to DAIHEN Aomori Co., Ltd. on July 1, 2021on the same date.

5) Other matters related to the transaction

The purpose of this merger is to improve management efficiency and corporate value by integrating management resources.

(2) Implemented accounting methods

The Company has treated the transaction as a transaction under common control in accordance with the Accounting Standards for Business Combinations, the Implementation Guidance on Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.

19. Reserve for employees' severance and retirement benefits

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2022 and 2021 and retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2022 and 2021 consisted of the following:

(1) Retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at April 1	¥16,942	¥17,042	$138,426
Service cost	554	532	4,527
Interest cost	67	67	547
Actuarial loss	(29)	49	(237)
Benefits paid	(973)	(732)	(7,950)
Other	1	(16)	9
Balance at March 31	¥16,562	¥16,942	$135,322

(2) Plan assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at April 1	¥23,871	¥20,571	$195,040
Expected return on plan assets	406	350	3,318
Actuarial gain (loss)	281	3,022	2,296
Contributions paid by the employer	544	544	4,445
Benefits paid	(778)	(616)	(6,357)
Balance at March 31	¥24,324	¥23,871	$198,742

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligations	¥14,658	¥14,992	$119,765
Plan assets	(24,324)	(23,871)	(198,742)
	(9,666)	(8,880)	(78,977)
Unfunded retirement benefit obligations	1,904	1,951	15,557
Total net defined benefit liability (asset) at March 31	¥(7,762)	¥(6,929)	$(63,420)
Net defined benefit liability	¥1,904	¥1,951	$15,557
Net defined benefit asset	(9,666)	(8,880)	(78,977)
Total net defined benefit liability (asset) at March 31	¥(7,762)	¥(6,929)	$(63,420)

(4) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥554	¥532	$4,527
Interest cost	67	67	547
Expected return on plan assets	(405)	(351)	(3,309)
Net actuarial loss amortization	206	288	1,683
Total retirement benefit expenses for the fiscal year ended March 31	¥422	¥536	$3,448

(5) Remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial gains and losses	¥516	¥3,261	$4,216
Total remeasurements of defined benefit plans for the fiscal years ended March 31	¥516	¥3,261	$4,216

(6) Accumulated adjustments for retirement benefit (before tax)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized actuarial gains and losses	¥(2,572)	¥(2,056)	$(21,015)
Total balance at March 31	¥(2,572)	¥(2,056)	$(21,015)

(7) Plan assets
Plan assets comprise:

	2022	2021
Bonds	28.6%	29.9%
Equity Securities	42.6%	47.1%
Others	28.8%	23.0%
Total	100.0%	100.0%

Long-term expected rate of return

In current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

	2022	2021
Discount rates	0.0%~0.5%	0.0%~0.5%
Long-term expected rate of return	1.5%~3.0%	1.5%~3.0%

The contribution required to the defined contribution plan of the Companies was ¥568 million ($4,641 thousand) and ¥562 million for the years ended March 31, 2022 and 2021, respectively.

Note: Defined benefit plan applying the simplified method is included above.

20. Contingent liabilities

Contingent liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loan guarantees: LASOtech Systems GmbH	¥166	¥534	$1,356
Assigned trade receivables with recourse	119	35	972

(*)This amount is stated after deducting the provision for loss on guarantees from the amount of loan guarantees.

21. Expenses related to product accidents

For the year ended March 31, 2021, expenses related to product accidents were the expenses related to the burnout of certain products that one of the consolidated subsidiaries manufactured. The main components of the expenses were restoration works and replacement costs.

22. Net assets

Under the Japanese Corporate Law and regulations ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or greater than 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

23. Revenue recognition

(1) Information that disaggregates revenue from contracts with customers

	Millions of yen					
	Power Products	Welding & Mechatronics	Advanced Components	Subtotal	Other (*1)	Total
Japan	¥65,057	¥19,922	¥38,395	¥123,374	¥9	¥123,383
Americas	–	2,987	1,104	4,091	–	4,091
Asia	3,451	19,204	6,063	28,718	–	28,718
Other	–	4,231	19	4,250	–	4,250
Revenues from contracts with customers	¥68,508	¥46,344	¥45,581	¥160,433	¥9	¥160,442
Other	–	–	–	–	176	176
Sales to external customers	¥68,508	¥46,344	¥45,581	¥160,433	¥185	¥160,618

	Thousands of U.S. dollars					
	Power Products	Welding & Mechatronics	Advanced Components	Subtotal	Other (*1)	Total
Japan	$531,555	$162,775	$313,710	$1,008,040	$74	$1,008,114
Americas	–	24,406	9,020	33,426	–	33,426
Asia	28,197	156,908	49,538	234,643	–	234,643
Other	–	34,570	155	34,725	–	34,725
Revenues from contracts with customers	$559,752	$378,659	$372,423	$1,310,834	$74	$1,310,908
Other	–	–	–	–	1,438	1,438
Sales to external customers	$559,752	$378,659	$372,423	$1,310,834	$1,512	$1,312,346

(*) The "Other" category is business segments not included in the reportable segments, including the real estate rental business.

(2) Information that serves as the basis for understanding revenue from contracts with customers

The Companies' main business is the manufacture, sale and repair of various transformers, various welding machines, industrial robots, power supplies for plasma generation, clean transfer robots, etc.

Transaction prices are calculated from the promised consideration in contracts with customers by deducting discounts, etc.

Performance obligations are satisfied at the time of delivery to the customer or shipment of merchandise or finished goods, when performance confirmation is completed after completion of the on-site installation adjustment, or when the repair is completed, because at that time it can be judged that the legal ownership, physical possession, significant risks and economic values associated with the ownership of merchandises or finished goods are transferred to the customer, and the Companies have the right to receive the transaction value from the customer.

No significant financial element exists and no significant adjustment is made with respect to the receivables under the contract with the customer because the period from the satisfaction of the performance obligation to the receipt of consideration is usually within one year.

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year.

(a) Balance of receivables and contract liabilities arising from contracts with customers

	Millions of yen	Thousands of U.S. dollars
Receivables arising from contracts with customers (beginning balance)	¥37,189	$303,857
Receivables arising from contracts with customers (ending balance)	36,970	$302,067
Contract liabilities (beginning balance)	2,275	$18,588
Contract liabilities (ending balance)	3,619	$29,569

Contract liabilities relate to advances received from customers based on payment terms for contracts with customers for which revenue is recognized upon delivery or upon completion of the performance confirmation after completion of the on-site installation adjustment.
Contract liabilities are reversed upon the recognition of revenue.
The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period amounted to ¥650 million ($5,311 thousand).
(b) Transaction price allocated to remaining performance obligations
The total amount of transaction price allocated to residual performance obligations was ¥75,890 million ($620,067 thousand) on March 31, 2022.
Approximately 90% of these performance obligations will be recognized as revenue within two years after the balance sheet date and the remaining 10% within three years thereafter.

24. Segment information
(1) Description of reportable segments
A reportable segment of the Company represents a component for which financial information can be obtained separately from other components and the results of which can be reviewed by the Board of Directors on a regular basis in order to decide on allocations of managerial resources and evaluate business performance.

The Company has adopted a divisional organization based system in which each company develops comprehensive business strategies for Japan and overseas and conducts business with respect to their products and services. The Company maintains three reportable segments based on the industry in which the Companies operate. These reportable segments are Power Products, Welding & Mechatronics and Advanced Components

The Companies operate principally in three reportable segments as follows:

Power Products:	Various transformers, switches and switchgear systems and dispersed power systems
Welding & Mechatronics:	Electric welding machines, plasma cutting machines, industrial robots, and machines of wireless charging systems
Advanced Components:	Power supplies and automatic tuners for wafer & FPD manufacturing equipment and clean transfer robots and systems

(2) Accounting methods for sales, income (loss), assets and other items for reportable segments
The accounting policies for the reportable segments are consistent with those disclosed in Note 2, “Summary of significant accounting policies.” The amount of segment income corresponds to that of operating income. Intersegment sales and transfer prices are calculated based mainly on market value or manufacturing cost.
As stated in “Changes in Accounting Policies,” the Company has applied accounting standards for revenue recognition from the beginning of the current fiscal year and has changed the accounting method for revenue recognition. In addition, the method of calculating profit or loss for each business segment has also been changed.
As a result of this change, compared with the amounts that would have been reported with the previous method, for the Power Products segment, net sales for the current consolidated fiscal year decreased by 387 million yen, segment income increased by 103 million yen, and segment assets increased by 814 million yen. For the Welding & Mechatronics segment, net sales decreased by 97 million yen, segment income increased by 85 million yen, and segment assets increased by 535 million yen. For the Advanced Components segment, net sales increased by 13 million yen, segment income increased by 10 million yen, and segment assets increased by 1,058 million yen. There was no impact on net sales, segment income, or segment assets in “Other.”

(3) Information on sales, income (loss), assets and other items for reportable segments
Reportable segment information for the years ended March 31, 2022 and 2021 was as follows:

	Millions of yen					
Year ended March 31, 2022	Power Products	Welding & Mechatronics	Advanced Components	Subtotal	Other (*1)	Total
Net sales:						
Customers	¥68,508	¥46,344	¥45,580	¥160,432	¥187	¥160,619
Intersegment	–	32	–	32	–	32
Total	¥68,508	¥46,376	¥45,580	¥160,464	¥187	¥160,651
Segment income	¥5,563	¥3,820	¥8,786	¥18,169	¥56	¥18,225
Assets	70,190	58,869	33,948	163,007	1,271	164,278
Other items						
Depreciation (*2)	2,084	1,372	760	4,216	24	4,240
Increase in property, plant and equipment and intangible assets (*3)	2,102	971	718	3,791	12	3,803

Year ended March 31, 2022	Power Products	Welding & Mechatronics	Advanced Components	Subtotal	Other (*1)	Total
	Thousands of U.S. dollars					
Net sales:						
Customers	$559,752	$378,659	$372,416	$1,310,827	$1,527	$1,312,354
Intersegment	—	261	—	261	—	261
Total	$559,752	$378,920	$372,416	$1,311,088	$1,527	$1,312,615
Segment income	$45,453	$31,212	$71,787	$148,452	457	$148,909
Assets	573,494	480,995	227,376	1,331,865	10,385	1,342,250
Other items						
Depreciation (*2)	17,027	11,210	6,210	34,447	196	34,643
Increase in property, plant and equipment and intangible assets (*3)	17,175	7,934	5,866	30,975	98	31,073

Year ended March 31, 2021	Power Products	Welding & Mechatronics	Advanced Components	Subtotal	Other (*1)	Total
	Millions of yen					
Net sales:						
Customers	¥65,842	¥42,077	¥37,028	¥144,947	¥198	¥145,145
Intersegment	—	31	—	31	—	31
Total	¥65,842	¥42,108	¥37,028	¥144,978	¥198	¥145,176
Segment income	¥6,750	¥3,812	¥6,181	¥16,743	¥69	¥16,812
Assets	66,721	53,614	25,176	145,511	1,281	146,792
Other items						
Depreciation (*2)	2,095	1,369	778	4,242	28	4,270
Increase in property, plant and equipment and intangible assets (*3)	2,014	816	424	3,254	12	3,266

(*1) "Other" is not included in reportable segments. It includes rental properties and so on.

(*2) Depreciation includes the amortization of long-term prepaid expenses.

(*3) Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

(4) Amount and breakdown of the differences between aggregate amounts of reportable segments and amounts recorded in the consolidated financial statements (items related to adjustments of differences)

(a) Segment sales

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reportable segment	¥160,464	¥144,978	$1,311,096
Sales of other	187	198	1,528
Segment adjustments	(32)	(31)	(270)
Consolidated net sales	¥160,619	¥145,145	$1,312,354

(b) Segment income

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reportable segment	¥18,169	¥16,743	$148,452
Income of other	56	69	457
Segment adjustments	0	1	0
Company expenses	(4,033)	(4,629)	(32,952)
Consolidated operating income	¥14,192	¥12,184	$115,957

"Company expenses" are operating expenses which are not included in any reportable segments.

(c) Segment assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reportable segment	¥163,007	¥145,511	$1,331,865
Assets of other	1,271	1,281	10,385
Corporate assets	30,890	28,666	252,390
Other adjustments	(355)	(325)	(2,990)
Consolidated total assets	¥194,802	¥175,133	$1,591,650

"Company assets" are land, buildings, investment funds (investment securities) and others which are not included in any reportable segments.

(d) Other items

Year ended March 31, 2022	Millions of yen			
	Reportable segment	Other	Adjustment	Consolidated
Depreciation	¥4,216	¥24	¥796	¥5,036
Increase in property, plant and equipment and intangible assets	3,791	12	617	4,420

Year ended March 31, 2022	Thousands of U.S. dollars			
	Reporting segment	Other	Adjustment	Consolidated
Depreciation	$31,447	$196	$6,504	$41,147
Increase in property, plant and equipment and intangible assets	30,975	98	5,041	36,114

Year ended March 31, 2021	Millions of yen			
	Reporting segment	Other	Adjustment	Consolidated
Depreciation	¥4,242	¥28	¥852	¥5,122
Increase in property, plant and equipment and intangible assets	3,254	13	701	3,968

“Adjustment” of increase in property, plant and equipment and intangible assets is the investment in the entire company for information systems, earthquake resistance renovations and others.

(5) Geographic segment information for the years ended March 31, 2022 and 2021 was as follows:

(a) Net sales

	Millions of yen				
Year ended March 31, 2022	Japan	North America	Asia	Other	Total
Net sales	¥123,560	¥4,090	¥28,718	¥4,251	¥160,619

	Thousands of U.S. dollars				
Year ended March 31, 2022	Japan	North America	Asia	Other	Total
Net sales	$1,009,560	$33,418	$234,643	$34,733	$1,312,354

	Millions of yen				
Year ended March 31, 2021	Japan	North America	Asia	Other	Total
Net sales	¥114,784	¥2,969	¥23,241	¥4,151	¥145,145

(b) Tangible fixed assets

	Millions of yen				
Year ended March 31, 2022	Japan	North America	Asia (Thailand)	Other	Total
Tangible fixed assets	¥32,541	¥233	¥4,409 ¥(2,328)	¥946	¥38,129

	Thousands of U.S. dollars				
Year ended March 31, 2022	Japan	North America	Asia (Thailand)	Other	Total
Tangible fixed assets	$265,880	$1,904	$36,024 $(19,021)	$7,729	$311,537

	Millions of yen				
Year ended March 31, 2020	Japan	North America	Asia (Thailand)	Other	Total
Tangible fixed assets	¥33,069	¥197	¥4,550 ¥(2,573)	¥983	¥38,772

(6) Information on major customers for that account for 10% or more of the sales in the consolidated income statement the years ended March 31, 2022 and 2021 was as follows:

	Millions of yen		
Year ended March 31, 2022	Major customers	Revenue	Related segments
	Tokyo Electron Miyagi Limited	¥32,463	Advanced Components
	The Kansai Electric Power Co., Inc.	20,873	Power Products

	Thousands of U.S. dollars		
Year ended March 31, 2022	Major customers	Revenue	Related segments
	Tokyo Electron Miyagi Limited	$265,242	Advanced Components
	The Kansai Electric Power Co., Inc.	170,545	Power Products

	Millions of yen		
Year ended March 31, 2021	Major customers	Revenue	Related segments
	Tokyo Electron Miyagi Limited	¥25,841	Advanced Components
	The Kansai Electric Power Co., Inc.	17,810	Power Products

(*) Sales to The Kansai Electric Power Co., Inc. include sales to Kansai Transmission and Distribution, which belongs to the same corporate group.

(7) Information on impairment loss on fixed assets by reportable segment
Not applicable for the years ended March 31, 2022 and 2021.

(8) Information on amortization of goodwill and its unamortized balance by reportable segment
Not applicable for the years ended March 31, 2022 and 2021.

(9) Information on gain on bargain purchase by reportable segment
Not applicable for the years ended March 31, 2022 and 2021.

25. Subsequent events

Transaction under common control

Absorption-type merger of consolidated subsidiary

The Company resolved to merge with DAIHEN System Corporation, a wholly-owned consolidated subsidiary of the Company, at the Board of Directors meeting held on February 2, 2022 and entered into a merger agreement with the company on the same date. The merger took place on April 1, 2022.

(1) Outline of the transaction

1) Name of the parties to the combination and description of their business

Name of surviving company	DAIHEN Corporation
Description of business	Manufacture and sale of a variety of transformers, power distribution equipment, control and telecommunications equipment, dispersed power equipment, welding machines, cutting machines, industrial robots, RF generators for plasma applications, etc.
Name of merged company	DAIHEN System Corporation
Description of business	Sale of industrial transformers, power distribution equipment, dispersed power equipment, lightening protection equipment, etc.

2) Date of the business combination

April 1, 2022

3) Legal format of the business combination

An absorption-type merger with the Company as the surviving company, and DAIHEN System Corporation as the absorbed company.

4) Name of the combined enterprise

DAIHEN Corporation

5) Other matters related to the outline of the transaction

The Company determined to merge with DAIHEN System Corporation, a domestic sales subsidiary for electric equipment, and integrate its functions into the Company for the purpose of strengthening and improving the efficiency of the Company’s sales structure in response to market changes and toward the achievement of a decarbonized society.

(2) Outline of the implemented accounting methods

The Company has treated the transaction as a transaction under common control in accordance with the Accounting Standards for Business Combinations, the Implementation Guidance on Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.

Independent Auditor’s Report

DAIHEN Corporation

For the Years ended March 31,
2022 and 2021

KPMG AZSA LLC
September 2022

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Independent Auditor's Report

To the Board of Directors of DAIHEN Corporation.:

Opinion

We have audited the accompanying consolidated financial statements of DAIHEN Corporation. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's determination of the accounting period in which revenue was recognized from sales	
The key audit matter	**How the matter was addressed in our audit**
The amount of revenue from sales of DAIHEN Corporation and its consolidated subsidiaries (hereinafter referred to as the "DAIHEN Group") amounted to ¥160,619 million in the consolidated fiscal year ended March 31, 2022. As described in Note 2(20), "Summary of significant accounting policies - Basis for recognition of significant revenue and expenses" and Note 23(2), "Revenue recognition - Information that serves as the basis for understanding revenue from contracts with customers", the Daihen Group's main business is the manufacture, sale, and repair of various transformers, various welding machines, industrial robots, power sources for plasma generation, clean transport robots, etc. In principle, revenue from the sale of this merchandise or finished goods is recognized at the time of delivery of the merchandise or finished goods. In cases in which the period from shipment of the merchandise or finished goods to the transfer of control to the customer is ordinary, domestic sales are recognized at the time of shipping. In addition, export sales are recognized at the time of shipment as the time when the risk burden is transferred to the customer is mainly based on the trade conditions specified in Incoterms, etc. For certain merchandise or finished goods that require on-site installation adjustment, revenue is recognized when performance confirmation is completed after completion of the on-site installation adjustment. Furthermore, revenue from the repair of merchandise or finished goods is recognized when the repair is completed. Since the demand in each business of the DAIHEN Group is related mainly to capital investment, a sudden change in a trend in a customer's capital investment could have a significant impact on sales. Especially in the consolidated fiscal year ended March 31, 2022, there was a high possibility of rapid fluctuations in demand due to the shortage of semiconductors, etc. In addition, because sales in the 4th quarter were ¥49,687 million, and accounted for approximately 30% of the full-year sales, the judgment of whether the sales recorded near the end of the consolidated fiscal year should be attributed to the then current consolidated fiscal year may have had a significant impact on the consolidated statement of income of the DAIHEN Group. We, therefore, determined that our assessment of the appropriateness of the DAIHEN Group's determination of the accounting period in which revenue from sales was recognized was the most significant in our audit of the consolidated financial statements for the consolidated fiscal year ended March 31, 2022 and, accordingly, a key audit matter.	The primary procedures we performed to assess whether revenue from sales was recognized in the appropriate accounting period included the following: **(1) Internal control testing** We tested the design and operating effectiveness of internal controls relevant to the process of recognizing revenue. In particular, we focused our testing on controls to ensure that sales were attributable to the appropriate accounting period by comparing the evidence that shows the fact of shipment or confirms the customer inspection. **(2) Assessment of whether revenue was recognized in the appropriate accounting period** In order to assess whether the revenue from sales was recognized in the appropriate accounting period for the sales of DAIHEN Corporation and its four consolidated subsidiaries which have a large share of their sales outside the DAIHEN Group, we: ● analyzed the types of transactions in which sales may not be recorded in an appropriate accounting period by each company and confirmed that sales in particular recorded near the end of the consolidated fiscal year were recorded in an appropriate accounting period by comparing them with the materials that support sales; ● examined that sales recorded by non-systemautomated accounting slips did not exist; and ● confirmed that the sales were recorded in the appropriate accounting period by examining the sales cancellations after the end of the consolidated fiscal year.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Miho Shibasaki
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
September 30, 2022