LINTEC Corporation

# Consolidated Financial Statements

Years ended March 31, 2022 and 2021

Financial information

# Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| **ASSETS** | **2022** | 2021 | **2022** |
| **Current assets:** | | | |
| Cash and deposits (Notes 10, 12) | **¥ 55,416** | ¥ 61,823 | **$ 452,782** |
| Trade notes and accounts receivable (Notes 12, 21) | **—** | 64,636 | **—** |
| Trade notes receivable (Notes 12, 21) | **16,176** | — | **132,168** |
| Trade accounts receivable (Notes 12, 21) | **46,175** | — | **377,284** |
| Inventories (Note 3) | **52,536** | 38,432 | **429,255** |
| Other (Notes 12, 14) | **11,792** | 5,249 | **96,354** |
| Allowance for doubtful accounts | **(62)** | (45) | **(507)** |
| Total current assets | **182,035** | 170,098 | **1,487,338** |
| **Non-current assets:** | | | |
| **Property, plant and equipment** (Note 11): | | | |
| Buildings and structures | **86,845** | 80,827 | **709,579** |
| Machinery, equipment and vehicles | **142,574** | 135,385 | **1,164,917** |
| Land | **11,831** | 11,327 | **96,672** |
| Construction in progress | **4,129** | 1,398 | **33,743** |
| Other | **16,715** | 14,447 | **136,576** |
| | **262,096** | 243,385 | **2,141,489** |
| Accumulated depreciation | **(171,872)** | (163,578) | **(1,404,300)** |
| Property, plant and equipment, net | **90,224** | 79,807 | **737,188** |
| **Intangible assets:** | | | |
| Goodwill | **16,958** | 16,981 | **138,558** |
| Other (Note 11) | **1,858** | 2,004 | **15,187** |
| Total intangible assets | **18,817** | 18,986 | **153,746** |
| **Investments and other assets:** | | | |
| Investment securities (Notes 12, 13) | **2,116** | 2,447 | **17,295** |
| Deferred tax assets (Note 17) | **7,402** | 6,876 | **60,482** |
| Net defined benefit asset (Note 15) | **0** | 1 | **4** |
| Other | **2,063** | 2,162 | **16,856** |
| Allowance for doubtful accounts | **(93)** | (116) | **(765)** |
| Total investments and other assets | **11,489** | 11,371 | **93,875** |
| Total non-current assets | **120,530** | 110,164 | **984,809** |
| **Total assets** | **¥ 302,566** | ¥ 280,262 | **$ 2,472,148** |

The accompanying notes are an integral part of the consolidated financial statements.

| LIABILITIES AND NET ASSETS | Millions of yen 2022 | 2021 | Thousands of U.S. dollars (Note 1) 2022 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Trade notes and accounts payable (Note 12) | **¥ 44,282** | ¥ 44,835 | **$ 361,817** |
| Short-term loans payable (Notes 12, 25) | **1,292** | 1,516 | **10,561** |
| Current portion of long-term loans payable (Notes 12, 14, 25) | **1,346** | 1,217 | **11,000** |
| Accrued income taxes (Note 17) | **4,210** | 3,414 | **34,401** |
| Provision for bonuses | **2,640** | — | **21,576** |
| Provision for directors' bonuses | **72** | 53 | **593** |
| Other (Notes 4, 12, 14, 21, 25) | **18,466** | 12,467 | **150,881** |
| Total current liabilities | **72,311** | 63,506 | **590,832** |
| **Non-current liabilities:** | | | |
| Long-term loans payable (Notes 12, 14, 25) | **1,468** | 2,546 | **12,000** |
| Provision for environmental measures | **111** | 111 | **907** |
| Net defined benefit liability (Note 15) | **15,937** | 15,431 | **130,217** |
| Other (Note 25) | **2,979** | 1,317 | **24,341** |
| Total non-current liabilities | **20,496** | 19,406 | **167,466** |
| Total liabilities | **92,808** | 82,912 | **758,298** |
| **Commitments and contingent liabilities** (Note 2) | | | |
| **Net assets:** | | | |
| **Shareholders' equity** (Note 24): | | | |
| Common stock: | | | |
| Authorized: 300,000,000 shares in 2022 and 2021 | | | |
| Issued: 76,659,440 shares in 2022 and 76,630,740 shares in 2021 | **23,320** | 23,285 | **190,546** |
| Capital surplus | **26,943** | 26,907 | **220,143** |
| Retained earnings | **166,242** | 155,241 | **1,358,300** |
| Less: treasury stock, at cost: | | | |
| 6,833,643 shares in 2022 and 4,336,994 shares in 2021 | **(14,118)** | (7,583) | **(115,353)** |
| Total shareholders' equity | **202,388** | 197,850 | **1,653,635** |
| **Accumulated other comprehensive income** | | | |
| Net unrealized holding gain on securities | **301** | 382 | **2,465** |
| Foreign currency translation adjustments | **8,936** | 1,547 | **73,017** |
| Remeasurements of defined benefit plans (Note 15) | **(2,414)** | (2,932) | **(19,727)** |
| Total accumulated other comprehensive income | **6,823** | (1,002) | **55,755** |
| **Share subscription rights** (Note 16) | **93** | 99 | **767** |
| **Non-controlling interests** | **451** | 403 | **3,690** |
| Total net assets | **209,758** | 197,350 | **1,713,849** |
| **Total liabilities and net assets** | **¥302,566** | ¥280,262 | **$2,472,148** |

# Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| **Net sales (Note 21)** | ¥256,836 | ¥235,902 | $2,098,510 |
| **Cost of sales** | 191,699 | 177,673 | 1,566,298 |
| Gross profit | 65,137 | 58,228 | 532,212 |
| **Selling, general and administrative expenses** (Notes 6, 7) | 43,553 | 41,198 | 355,855 |
| Operating income | 21,584 | 17,030 | 176,356 |
| **Non-operating income:** | | | |
| Interest income | 143 | 167 | 1,170 |
| Dividend income | 274 | 49 | 2,242 |
| Rent income | 22 | 21 | 182 |
| Gain on sales of non-current assets | 7 | 17 | 62 |
| Insurance income | 37 | 49 | 305 |
| Foreign exchange gains | 1,003 | — | 8,202 |
| Subsidy income | 20 | 115 | 163 |
| Other income | 375 | 300 | 3,069 |
| Total non-operating income | 1,884 | 721 | 15,398 |
| **Non-operating expenses:** | | | |
| Interest expenses | 110 | 149 | 905 |
| Loss on sales of non-current assets | 12 | 16 | 98 |
| Loss on retirement of non-current assets | 387 | 367 | 3,162 |
| Compensation expenses | 160 | 36 | 1,311 |
| Foreign exchange losses | — | 249 | — |
| Other expenses | 99 | 161 | 816 |
| Total non-operating expenses | 770 | 981 | 6,294 |
| Ordinary income | 22,698 | 16,770 | 185,460 |
| **Extraordinary gain:** | | | |
| Gain on sales of investment securities | 13 | 35 | 107 |
| Gain on bargain purchase | 282 | — | 2,308 |
| Gain on sale of shares of subsidiaries and associates | 259 | — | 2,122 |
| Total extraordinary gain | 555 | 35 | 4,538 |
| **Extraordinary loss:** | | | |
| Loss on valuation of shares of subsidiaries and associates | 23 | — | 189 |
| Impairment loss (Note 8) | — | 171 | — |
| Total extraordinary loss | 23 | 171 | 189 |
| Profit before income taxes | 23,230 | 16,635 | 189,810 |
| **Income taxes** (Note 17): | | | |
| Current | 7,243 | 5,430 | 59,187 |
| Deferred | (696) | (173) | (5,688) |
| Total income taxes | 6,547 | 5,257 | 53,499 |
| **Profit** | 16,683 | 11,378 | 136,311 |
| **Profit (loss) attributable to non-controlling interests** | 41 | (29) | 342 |
| **Profit attributable to owners of parent** (Note 24) | ¥ 16,641 | ¥ 11,407 | $ 135,968 |

# Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2022 and 2021

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Profit | ¥16,683 | ¥11,378 | $136,311 |
| Other comprehensive income (Note 9) | | | |
| Net unrealized holding gain on securities | (81) | 418 | (661) |
| Foreign currency translation adjustments | 7,394 | (2,647) | 60,415 |
| Remeasurements of defined benefit plans (Note 15) | 519 | 1,469 | 4,243 |
| Total other comprehensive income | 7,832 | (758) | 63,996 |
| Comprehensive income | ¥24,515 | ¥10,619 | $200,307 |
| (Comprehensive income attributable to:) | | | |
| Owners of parent | 24,467 | 10,653 | 199,914 |
| Non-controlling interests | 48 | (34) | 393 |

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2022 and 2021

| | Thousands | | | | | | | | | | | | Millions of yen |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Shareholders' equity | | Accumulated other comprehensive income | | | | | |
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized holding gain on securities | Foreign currency translation adjustments | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | Share subscription rights | Non-controlling interests | Total net assets |
| **Balance as at April 1, 2020** | 76,600 | ¥23,249 | ¥26,870 | ¥149,471 | ¥ (7,610) | ¥191,981 | ¥(36) | ¥4,193 | ¥(4,405) | ¥ (248) | ¥128 | ¥ 437 | ¥192,298 |
| Cumulative effects of changes in accounting policies | | | | | | — | | | | | | | — |
| Restated balance | | 23,249 | 26,870 | 149,471 | (7,610) | 191,981 | (36) | 4,193 | (4,405) | (248) | 128 | 437 | 192,298 |
| Changes during the year: | | | | | | | | | | | | | |
| Issuance of new shares | 29 | 35 | 35 | | | 71 | | | | | | | 71 |
| Cash dividends | | | | (5,637) | | (5,637) | | | | | | | (5,637) |
| Profit attributable to owners of parent | | | | 11,407 | | 11,407 | | | | | | | 11,407 |
| Purchase of treasury stock | | | | | (1) | (1) | | | | | | | (1) |
| Disposal of treasury stock | | | 0 | | 28 | 28 | | | | | | | 28 |
| Net changes in items other than shareholders' equity | | | | | | | 418 | (2,645) | 1,472 | (753) | (28) | (34) | (816) |
| Total changes during the year | 29 | 35 | 36 | 5,770 | 26 | 5,869 | 418 | (2,645) | 1,472 | (753) | (28) | (34) | 5,052 |
| **Balance as at March 31, 2021** | 76,630 | ¥23,285 | ¥26,907 | ¥155,241 | ¥ (7,583) | ¥197,850 | ¥382 | ¥1,547 | ¥(2,932) | ¥(1,002) | ¥ 99 | ¥403 | ¥197,350 |
| Cumulative effects of changes in accounting policies | | | | (0) | | (0) | | | | | | | (0) |
| Restated balance | | 23,285 | 26,907 | 155,241 | (7,583) | 197,850 | 382 | 1,547 | (2,932) | (1,002) | 99 | 403 | 197,350 |
| Changes during the year: | | | | | | | | | | | | | |
| Issuance of new shares | 28 | 35 | 35 | | | 71 | | | | | | | 71 |
| Cash dividends | | | | (5,640) | | (5,640) | | | | | | | (5,640) |
| Profit attributable to owners of parent | | | | 16,641 | | 16,641 | | | | | | | 16,641 |
| Purchase of treasury stock | | | | | (6,539) | (6,539) | | | | | | | (6,539) |
| Disposal of treasury stock | | | 0 | | 4 | 5 | | | | | | | 5 |
| Net changes in items other than shareholders' equity | | | | | | | (81) | 7,389 | 518 | 7,826 | (5) | 48 | 7,869 |
| Total changes during the year | 28 | 35 | 36 | 11,001 | (6,534) | 4,538 | (81) | 7,389 | 518 | 7,826 | (5) | 48 | 12,407 |
| **Balance as at March 31, 2022** | 76,659 | ¥23,320 | ¥26,943 | ¥166,242 | ¥(14,118) | ¥202,388 | ¥301 | ¥8,936 | ¥(2,414) | ¥6,823 | ¥ 93 | ¥451 | ¥209,758 |

| | Thousands | | | | | | | | | | | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Shareholders' equity | | Accumulated other comprehensive income | | | | | |
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized holding gain on securities | Foreign currency translation adjustments | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | Share subscription rights | Non-controlling interests | Total net assets |
| **Balance as at April 1, 2021** | 76,630 | $190,255 | $219,848 | $1,268,416 | $(61,964) | $1,616,555 | $3,127 | $12,643 | $(23,960) | $(8,190) | $811 | $3,296 | $1,612,473 |
| Cumulative effects of changes in accounting policies | | | | (1) | | (1) | | | | | | | (1) |
| Restated balance | | 190,255 | 219,848 | 1,268,415 | (61,964) | 1,616,554 | 3,127 | 12,643 | (23,960) | (8,190) | 811 | 3,296 | 1,612,472 |
| Changes during the year: | | | | | | | | | | | | | |
| Issuance of new shares | 28 | 291 | 291 | | | 582 | | | | | | | 582 |
| Cash dividends | | | | (46,083) | | (46,083) | | | | | | | (46,083) |
| Profit attributable to owners of parent | | | | 135,968 | | 135,968 | | | | | | | 135,968 |
| Purchase of treasury stock | | | | | (53,429) | (53,429) | | | | | | | (53,429) |
| Disposal of treasury stock | | | 3 | | 40 | 43 | | | | | | | 43 |
| Net changes in items other than shareholders' equity | | | | | | | (661) | 60,373 | 4,233 | 63,945 | (43) | 393 | 64,296 |
| Total changes during the year | 28 | 291 | 294 | 89,885 | (53,389) | 37,081 | (661) | 60,373 | 4,233 | 63,945 | (43) | 393 | 101,377 |
| **Balance as at March 31, 2022** | 76,659 | $190,546 | $220,143 | $1,358,300 | $(115,353) | $1,653,635 | $2,465 | $73,017 | $(19,727) | $55,755 | $767 | $3,690 | $1,713,849 |

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statement of Cash Flows

LINTEC Corporation and its consolidated subsidiaries
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:** | | | |
| Profit before income taxes | **¥23,230** | ¥16,635 | **$189,810** |
| Depreciation and amortization | **9,895** | 9,361 | **80,853** |
| Amortization of goodwill | **3,200** | 3,110 | **26,146** |
| Increase (decrease) in net defined benefit liability | **525** | 507 | **4,296** |
| Increase (decrease) in allowance for doubtful accounts | **(11)** | (26) | **(90)** |
| Interest and dividend income | **(417)** | (216) | **(3,413)** |
| Interest expenses | **110** | 149 | **905** |
| Loss (gain) on sales of property, plant and equipment | **4** | (1) | **35** |
| Loss on retirement of property, plant and equipment | **193** | 103 | **1,584** |
| Decrease (increase) in trade notes and accounts receivable | **6,184** | (2,025) | **50,529** |
| Decrease (increase) in inventories | **(8,546)** | 1,467 | **(69,829)** |
| Increase (decrease) in trade notes and accounts payable | **(3,781)** | 4,031 | **(30,894)** |
| Loss (gain) on sales of investment securities | **(13)** | (35) | **(107)** |
| Gain on bargain purchase | **(282)** | — | **(2,308)** |
| Loss (gain) on sale of shares of subsidiaries and associates | **(259)** | — | **(2,122)** |
| Subsidy income | **(20)** | (115) | **(163)** |
| Loss on valuation of shares of subsidiaries and associates | **23** | — | **189** |
| Impairment loss | **—** | 171 | **—** |
| Other, net | **829** | 189 | **6,775** |
| Subtotal | **30,866** | 33,307 | **252,197** |
| Interest and dividend income received | **415** | 224 | **3,394** |
| Interest expenses paid | **(118)** | (163) | **(968)** |
| Subsidies received | **20** | 115 | **163** |
| Income taxes (paid) refund | **(6,540)** | (4,659) | **(53,443)** |
| Net cash provided by operating activities | **24,642** | 28,824 | **201,342** |
| **Cash flows from investing activities:** | | | |
| Payments into time deposits | **(9,906)** | (10,016) | **(80,945)** |
| Proceeds from withdrawal of time deposits | **9,520** | 10,759 | **77,784** |
| Purchase of property, plant and equipment | **(8,522)** | (8,997) | **(69,636)** |
| Proceeds from sales of property, plant and equipment | **17** | 27 | **142** |
| Purchase of intangible assets | **(210)** | (451) | **(1,723)** |
| Purchase of investment securities | **(14)** | (54) | **(121)** |
| Proceeds from sales of investment securities | **15** | 52 | **125** |
| Proceeds from sales of shares of subsidiaries and associates | **478** | — | **3,910** |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18) | **(6,349)** | — | **(51,880)** |
| Payments for acquisition of businesses (Note 18) | **(4,617)** | — | **(37,725)** |
| Payments of loans receivable | **(2)** | (5) | **(21)** |
| Collection of loans receivable | **9** | 10 | **73** |
| Other, net | **(60)** | 63 | **(492)** |
| Net cash used in investing activities | **(19,644)** | (8,612) | **(160,510)** |
| **Cash flows from financing activities:** | | | |
| Increase (decrease) in short-term loans payable | **(331)** | — | **(2,705)** |
| Proceeds from long-term borrowings | **—** | 1,350 | **—** |
| Repayments of long-term loans payable | **(1,229)** | (9,141) | **(10,045)** |
| Cash dividends paid | **(5,642)** | (5,632) | **(46,102)** |
| Purchase of treasury stock | **(6,539)** | (1) | **(53,429)** |
| Repayments of lease obligations | **(713)** | (704) | **(5,827)** |
| Other, net | **0** | 0 | **0** |
| Net cash provided by (used in) financing activities | **(14,455)** | (14,129) | **(118,109)** |
| **Effect of exchange rate change on cash and cash equivalents** | **2,425** | (706) | **19,817** |
| **Net increase (decrease) in cash and cash equivalents** | **(7,032)** | 5,375 | **(57,459)** |
| **Cash and cash equivalents at beginning of year** | **57,636** | 52,260 | **470,921** |
| **Cash and cash equivalents at end of year** (Note 10) | **¥50,603** | ¥57,636 | **$413,462** |

The accompanying notes are an integral part of the consolidated financial statements.

# Notes to Consolidated Financial Statements

LINTEC Corporation and its consolidated subsidiaries
March 31, 2022

## 1. Summary of Significant Accounting Policies

**(a) Basis of presenting financial statements**

LINTEC Corporation (the "Company") maintains its accounting records and prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

For the convenience of the readers, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the rate of ¥122.39=U.S.$1, the prevailing exchange rate as of March 31, 2022. This translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate of exchange.

As permitted under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Certain reclassifications of previously reported amounts have been made to conform to the consolidated financial statements for the year ended March 31, 2022 presentation.

**(b) Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its 42 significant subsidiaries as of March 31, 2022, but exclude subsidiaries whose total assets, net sales, profit and retained earnings are not material in relation to the comparable amounts in these statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Goodwill is amortized over periods of the estimated useful lives (mainly 10 years) on a straight-line basis.

Investments in subsidiaries and affiliates, which are not consolidated or accounted for by the equity method, are carried at cost. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Certain subsidiaries are consolidated on the basis of fiscal period ending December 31, which differ from that of the Company. The necessary adjustments are made to the financial statements of such subsidiaries to reflect any significant transactions from their respective fiscal year ends to March 31.

**(c) Foreign currency translation**

Receivables, payables and securities denominated in foreign currencies are converted into Japanese yen at the exchange rates at fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates and the resulting translation gains or losses are included in statement of income.

In respect of the financial statement items of overseas subsidiaries, all assets and liabilities accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. All income and expense accounts are translated into Japanese yen by applying the average exchange rates during the fiscal year.

Translation differences after allocating to non-controlling interest for portions attributable to non-controlling interest are reported as foreign currency translation adjustments in a separate component of net assets in the accompanying consolidated balance sheet.

**(d) Investment securities**

Securities other than stocks and others without a quoted market price are stated at fair value, and changes in fair value are recorded as a separate component of net assets at an amount, net of tax, and the moving-average method is used to calculate the original cost. Stocks and others without a quoted market price are stated at cost determined by the moving-average method.

**(e) Derivatives**

Derivatives are stated at fair value.

**(f) Inventories**

Inventories mainly apply the cost method based on the weighted-average method, which determines the amount of the inventories shown on the consolidated balance sheet by writing them down based on the decrease in their profitability.

Machinery applies the cost method based on the specific identification method, which determines the amount of the inventories shown on the consolidated balance sheet by writing them down based on the decrease in their profitability.

**(g) Property, plant and equipment (Excluding leased assets)**

Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets.

The significant estimated useful lives are summarized as follows:

| | |
|---|---|
| Buildings and structures | 3 — 50 years |
| Machinery, equipment and vehicles | 3 — 17 years |

**(h) Intangible assets (Excluding leased assets)**

Capitalized costs of software for internal use are amortized using the straight-line method over estimated useful lives (5 years).

**(i) Leased assets**

Leased assets arising from finance lease transactions which do not transfer ownership to the lessees are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

Right-of-use assets are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

From the beginning of the fiscal year ended March 31,2022, Accounting Standards Update ("ASU") 2020-05 "Lease" was adopted at the Company's consolidated subsidiaries in the United States. Regarding overseas consolidated subsidiaries other than those that adopt ASU2020-05, those financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter IFRS), IFRS 16 "Leases" was applied accordingly. In accordance with ASU2020-05 "Lease" or IFRS 16 "Leases", as lessees, in principle, a right-of-use asset and a lease liability were recognized on the consolidated balance sheet.

**(j) Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at the amount of estimated uncollectible accounts, based on individual collectability with respect to identified doubtful receivables and past experience of doubtful receivables.

**(k) Provision for bonuses**

Bonus to employee is accrued at the year-end and to be paid in the following year when such bonuses are attributable.

(Additional Information)

As for bonuses to employee, which were previously presented as accrued expenses in "Other" of current liabilities, the amount to be paid was not determined at the time of preparing the consolidated financial statements. Therefore, the estimated amount of payment has been presented as "Provision for bonuses" from the year ended March 31,2022.

**(l) Provision for directors' bonuses**

Bonus to directors is accrued at the year-end and to be paid in the following year when such bonuses are attributable.

**(m) Accounting method for retirement benefits**

(1) Method of attributing expected retirement benefits to periods
In calculating retirement benefit obligations, the benefit formula basis is used to attribute expected retirement benefits to periods through the end of the fiscal year.

(2) Method of amortizing actuarial gain and loss and prior service cost
Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method principally over 15 years. Prior service cost is being amortized by the straight-line method principally over 15 years.

**(n) Revenue recognition**

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020); hereinafter," Revenue Recognition Accounting Standard"), etc. from the beginning of the fiscal year ended March 31, 2022. Under this standard, revenue is recognized at the time of the transfer of controls for promised goods or services to customers in the amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services. However, for domestic sales, revenue is recognized upon shipment if the duration from the time of shipment to the time when control of the promised goods or services is transferred to the customer is the normal period.

**(o) Provision for environmental measures**

The provision for environmental measures is estimated and recorded to provide for future potential costs, such as costs related to removal and disposal of toxic substances based on related legal requirements.

**(p) Accounting for consumption taxes**

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

**(q) Cash and cash equivalents**

Cash and cash equivalents are composed of cash and time deposits having maturities within three months from acquisition, all of which are low-risk, short-term financial instruments readily convertible into cash.

**(r) Research and development costs**

Research and development costs are charged to income when incurred.

**(s) Income taxes**

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

**(t) Shareholders' equity**

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

**(u) Hedge accounting**

(1) Hedge accounting method

The exceptional accounting treatment (the "Tokurei-shori") is applied with respect to interest rate swaps that meet the requirements to hedge the cash flow volatility of certain foreign currency-denominated loans.

(2) Hedging instruments and hedged items

Hedging instruments … Interest rate swaps
Hedging items … Foreign currency-denominated loans

(3) Hedging policy

In accordance with the internal regulation, risk of fluctuations in interest rates and foreign exchange is hedged.

(4) Method of evaluating the effectiveness of hedges

The evaluation of effectiveness is omitted for interest rate swaps accounted for under the Tokurei-shori.

**(v) Changes in accounting principles**

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

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020); hereinafter," Revenue Recognition Accounting Standard"), etc. from the beginning of the fiscal year ended March 31,2022. Under this standard, revenue is recognized at the time of the transfer of controls for promised goods or services to customers in the amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

Accordingly, in charged supplying transactions in which the Company purchases raw materials, etc. from a customer, conducts processing and sells the finished good to the customer, only an amount equivalent to process costs, excluding purchase prices of raw materials, etc., is recognized as a net amount of revenue, compared to the previous method of recognizing revenue based on a total amount including purchase prices of raw materials, etc.

In charged supplying transactions with repurchase obligations, the Company changed to a method of not to recognize extinction an item supplied for a fee, while in the previous method such supplied item was recognized extinction.

In export sales, compared to the previous method of recognizing revenue on a shipping basis, the Company changed to a method of recognizing revenue when risk is transferred to a customer according to trade conditions specified by Incoterms, etc.

Regarding consideration paid to a customer, including sales cooperation rebate, it is now deducted from net sales, compared to the previous method of recognizing as selling, general and administrative expenses.

The Company adopted the Revenue Recognition Accounting Standard with the transitional treatment set forth in the paragraph 84 of this standard, through a cumulative effects of changes in accounting policies adjusted directly to retained earnings, with the cumulative amounts of retrospective application of this standard to periods prior to the current fiscal year.

As a result, net sales, cost of sales, selling, general and administrative expenses, operating income, ordinary income and profit before income taxes for the current fiscal year decreased by 13,564 million yen (U.S.$110,833 thousand),13,413 million yen (U.S.$109,598 thousand), 86 million yen (U.S.$704 thousand), 64 million yen (U.S.$530 thousand), 17 million yen (U.S.$146 thousand) and 17 million yen (U.S.$146 thousand), respectively.

In addition, the impact on the beginning balance of retained earnings as of the year ended March 31,2022 was immaterial.

Due to the adoption of the Revenue Recognition Accounting Standard, etc. "Trade notes and accounts receivable" which was presented in "current assets" on the balance sheet of the previous fiscal year has been presented as "Trade notes receivables" and "Trade accounts receivables" from this fiscal year. In accordance with the transitional treatment set forth in Paragraph 89-2 of said accounting standard, reclassification of reported amounts for the previous fiscal year has not been made to conform with current classifications. In addition, in accordance with the transitional treatment set forth in Paragraph 89-3, notes to the revenue recognition in Note 21 related to the previous fiscal year has not been presented.

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

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4,2019); hereinafter, "Fair Value Measurement Accounting Standard") from the beginning of the year ended March 31, 2022. It also adopted new accounting principles set by the Fair Value Measurement Accounting Standard for the future, in accordance with Paragraph 19 of the Fair Value Measurement Accounting Standard and transitional treatment set forth in Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10 revised on July 4,2019). Further, there is no impact on the consolidated financial statement.

In addition, in Note 12 "Financial Instruments", The Company disclosed Components of financial instruments by fair value hierarchy. However, in accordance with the transitional treatment set forth in Paragraph 7-4 of Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on July 4,2019), note to the financial instruments in Note 12 "Financial Instruments" related to the previous fiscal year was not presented.

(Adoption of the FASB Accounting Standards Updates No.2020-05 "Lease")

The Company's consolidated subsidiaries in the United States adopted the FASB ASU 2020-05" Lease" (the "Standards") from the beginning of the fiscal year ended March 31, 2022. Accordingly, lessees recognize all leases items as assets and liabilities, in principle. The Company adopted this standard with the transitional treatment with the method of recognizing amounts of accumulated impact by the change of accounting principle on the staring date of such adoption.

As a result, as of the fiscal year ended March 31 2022, "Property, plant and equipment", "Other" presented under current liabilities and "Other" presented under non-current liabilities has increased by 857 million yen (U.S.$7,006 thousand),286 million yen (U.S.$2,341 thousand), and 607 million yen (U.S.$4,965 thousand), respectively. The impact on the Consolidated Statement of Income as of the current fiscal year was immaterial.

**(w) Additional information**

The LINTEC Group (the "Group") makes its accounting estimates of the impairment of Property, plant and equipment and Intangible assets and the collectability of deferred tax assets based on the assumption that the restrictions on behavior due to the New Coronavirus infection (COVID-19) will be relieved and economic activities will be continuously on recovery phase throughout the fiscal year ending March 31, 2023.

## 2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥27,671 million (U.S.$226,090 thousand) and ¥26,832 million at March 31, 2022 and 2021, respectively.

## 3. Inventories

Merchandise and finished goods, work in process, and raw materials and supplies as of March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Merchandise and finished goods | **¥19,211** | ¥14,129 | **$156,972** |
| Work in process | **17,765** | 14,863 | **145,153** |
| Raw materials and supplies | **15,559** | 9,440 | **127,129** |
| Total | **¥52,536** | ¥38,432 | **$429,255** |

## 4.Contract Liabilities

The amount of contract liabilities included in "Other" in current liabilities as of March 31, 2022 was as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | **2022** |
| Contract liabilities | **¥1,190** | **$9,727** |

## 5. Revenue from Contracts with Customers

Revenue from contracts with customers and revenue other than revenue from contracts with customers are not separately described in net sales. The amount of revenue from contracts with customers are described below in "1. Information on disaggregation of revenue from contracts with customers" in Note 21 "Revenue Recognition".

## 6. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Transportation and warehousing expenses | **¥5,969** | ¥5,385 | **$48,778** |
| Provision for allowance for doubtful accounts | **6** | 21 | **56** |
| Salaries and allowances | **10,395** | 9,661 | **84,936** |
| Retirement benefit expenses | **706** | 739 | **5,774** |
| Provision for bonuses | **938** | — | **7,668** |
| Provision for directors' bonuses | **72** | 53 | **593** |
| Depreciation and amortization | **1,776** | 1,685 | **14,511** |
| Research and development expenses | **7,883** | 7,618 | **64,414** |
| Other | **15,803** | 16,031 | **129,120** |
| Total | **¥43,553** | ¥41,198 | **$355,855** |

## 7. Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses, for the years ended March 31, 2022 and 2021 were ¥7,883 million (U.S.$64,414 thousand) and ¥7,618 million, respectively.

## 8. Impairment Loss

The Company recognized impairment loss on the following classes of assets for the year ended March 31, 2021:

| Major use | Location | Category | Millions of yen |
|---|---|---|---|
| — | Florida State, U.S.A. | Goodwill | ¥62 |
| — | Vancouver, CANADA | Goodwill | ¥109 |

The Companies categorize goodwill into groups mainly based on each company in consolidated subsidiaries for the goodwill impairment testing.

MADICO, INC. and MADICO WINDOW FILMS, CANADA, ULC recognized impairment losses of ¥62 million and ¥109 million respectively for the goodwill as future operating results were expected to be lower than the business plan at the time of acquisition of these subsidiaries.

The recoverable amount of the goodwill was measured at the value in use determined by future cash flows discounted at 10.0%.

### 9. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Net unrealized holding gain on securities: | | | |
| Amount incurred during the fiscal year | ¥ (139) | ¥ 639 | $ (1,143) |
| Reclassification adjustment | 23 | (35) | 189 |
| Prior to deducting tax effect | (116) | 603 | (954) |
| Tax effect | 35 | (184) | 292 |
| Net unrealized holding gain on securities | (81) | 418 | (661) |
| Foreign currency translation adjustments: | | | |
| Amount incurred during the fiscal year | 7,394 | (2,647) | 60,415 |
| Reclassification adjustment | — | — | — |
| Prior to deducting tax effect | 7,394 | (2,647) | 60,415 |
| Tax effect | — | — | — |
| Foreign currency translation adjustments | 7,394 | (2,647) | 60,415 |
| Remeasurements of defined benefit plans: | | | |
| Amount incurred during the fiscal year | 25 | 1,449 | 205 |
| Reclassification adjustment | 715 | 672 | 5,845 |
| Prior to deducting tax effect | 740 | 2,122 | 6,050 |
| Tax effect | (221) | (652) | (1,807) |
| Remeasurements of defined benefit plans | 519 | 1,469 | 4,243 |
| Total other comprehensive income | ¥7,832 | ¥ (758) | $63,996 |

### 10. Cash and Cash Equivalents

1. Reconciliation between cash and cash equivalents in the consolidated statement of cash flows and cash and deposits in the consolidated balance sheet as of March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Cash and deposits | ¥55,416 | ¥61,823 | $452,782 |
| Time deposits with maturity of more than 3 months | (4,812) | (4,187) | (39,320) |
| Cash and cash equivalents | ¥50,603 | ¥57,636 | $413,462 |

2. Assets and liabilities of newly acquired consolidated subsidiaries through acquisition of shares for the year ended March 31, 2022 was as follows:
Assets and liabilities of DURAMARK PRODUCTS, INC. (a newly acquired consolidated subsidiary through acquisition of shares) at the inception of its consolidation, the acquisition cost of its shares and the related expenditures (net) for the acquisition were as follows:

Note: The Company name has been changed to MACTAC, INC. on April 8,2021.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2022 | 2022 |
| Current assets | ¥2,494 | $20,379 |
| Non-current assets | 5,994 | 48,979 |
| Current liabilities | (1,331) | (10,875) |
| Non-current liabilities | (433) | (3,542) |
| Negative Goodwill | (283) | (2,316) |
| Acquisition cost of shares | ¥6,440 | $52,624 |
| Cash and cash equivalents | (91) | (744) |
| Net expenditures for acquisition | ¥6,349 | $51,880 |

There is no disclosure applicable for the year ended March 31,2021.

3. Assets and liabilities increased due to the business transfer by SPINNAKER PRESSURE SENSITIVE PRODUCTS LLC, a consolidated subsidiary of MACTAC AMERICAS, LLC, and the acquisition cost of the business transfer and the related expenditures (net) for the business transfer were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2022 | |
| Current assets | **¥3,960** | **$32,356** |
| Non-current assets | **1,079** | **8,822** |
| Goodwill | **1,419** | **11,599** |
| Current liabilities | **(1,842)** | **(15,050)** |
| Acquisition cost of business transfer | **¥4,617** | **$37,728** |
| Cash and cash equivalents | **(0)** | **(3)** |
| Net expenditures for business transfer | **¥4,617** | **$37,725** |

Note: The amount calculated above are provisional because the allocation of acquisition cost has not been completed as of the fiscal year ended March 31,2022.

There is no disclosure applicable for the year ended March 31,2021.

4. Assets and liabilities related to lease transactions newly recognized for the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Leased assets | **¥ 78** | ¥ 63 | **$ 645** |
| Right-of-use assets | **1,895** | 309 | **15,485** |
| Lease obligations | **1,974** | 372 | **16,130** |

Note: The increase in Right-of-use assets and lease obligations due to the application of ASU 2020-05 "Lease" were included in the above table from the year ended March 31,2022.

## 11. Leases

**(Lessee's accounting)**

For finance lease transactions that do not transfer ownership, leased assets recognized as property, plant and equipment are mainly vehicles and office equipment such as personal computers, and those recognized as intangible assets are mainly software for the years ended March 31, 2022 and 2021. These leased assets are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

For Right-of-use assets transactions, leased assets recognized as property, plant and equipment are mainly leased offices and warehouses. These Right-of-use assets are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

(As Lessee)

The minimum lease payments under noncancellable operating leases as of March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Due within 1 year | **¥ 541** | ¥ 744 | **$ 4,421** |
| Due after 1 year | **1,127** | 1,922 | **9,212** |
| Total | **¥1,668** | ¥2,667 | **$13,633** |

(As Lessor)

The minimum lease receivables under noncancellable operating leases as of March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Due within 1 year | **¥ 2** | ¥ 2 | **$ 17** |
| Due after 1 year | **12** | 14 | **104** |
| Total | **¥14** | ¥17 | **$121** |

## 12. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Group limits the scope of its cash and fund management activities to short-term deposits and has a policy of relying principally on bank loans.

The Group makes use of derivatives only to reduce risk of foreign currency exchange fluctuations and has a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk and risk management system

In the course of its business activities, the Group is exposed to credit risk arising from trade notes and accounts receivable that are outstanding from its customers. Regarding the risk pursuant to the internal regulations for managing its credit exposure and trade receivables, due dates and balances are managed appropriately for each customer to mitigate risks of uncollectible accounts.

Investment securities are stocks being exposed to market price risk, and these are mainly the stocks of companies with which the Group has business relationships and they are periodically confirmed the market value.

All of the trade payables—trade notes and accounts payable—are due within 1 year.

The Group has commitment line contracts with financial institutions and the short-term loans payable are raised mainly for business activities and capital investments.

The long-term loans payable is raised for corporate acquisitions. Interest rate swaps and interest rate and currency swaps are used to manage exposure to market risks from changes in interest rates and foreign currency exchange rate of the long-term loans payable.

The Group is exposed to liquidity risk from its business-related obligations and loans but the Company and its consolidated subsidiaries prepare and implement financing plans to manage the liquidity risk.

The Group conducts and manages derivative transactions based on internal rules and regulations. Executive officer of administration division is in charge of managing derivative transactions and related reports are submitted to top management for each case.

In addition, the contract amounts of derivative transactions described below in Note 14, "Derivatives", do not represent the market risk associated with derivative transactions.

2. Fair value and other matters related to financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2022 and 2021 along with their fair value and the variance were shown in the following table.

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2022 | | | | | |
| | Carrying value | Fair value | Variance | Carrying value | Fair value | Variance |
| (1) Investment securities | | | | | | |
| Other securities | **¥1,679** | **¥1,679** | **¥—** | **$13,719** | **$13,719** | **$ —** |
| (2) Long-term loans payable | **(2,814)** | **(2,811)** | **(3)** | **(23,000)** | **(22,974)** | **(25)** |
| (3) Derivatives | **(23)** | **(23)** | **—** | **(194)** | **(194)** | **—** |

Notes: i. "Cash and deposits", "Trade notes receivable", "Trade accounts receivable", "Trade notes and accounts payable", "Short-term loans payable", and" Accrued income taxes" are cash and also those market values are close to the book value because it is settled in a short period of time. Therefore, each description has been omitted.
ii. Figures shown in parentheses are liability items.
iii. The current portion of long-term loans payable is included in long-term loans payable.
iv. The value of assets and liabilities arising from derivatives is shown by net value.

| | Millions of yen | | |
|---|---|---|---|
| | 2021 | | |
| | Carrying value | Fair value | Variance |
| (1) Investment securities | | | |
| Other securities | ¥1,814 | ¥1,814 | ¥ — |
| (2) Long-term loans payable | (3,764) | (3,833) | 69 |
| (3) Derivatives | (18) | (18) | — |

Notes: i. "Cash and deposits", "Trade notes and accounts receivable", "Trade notes and accounts payable", "Short-term loans payable", and" Accrued income taxes" are cash and also those market values are close to the book value because it is settled in a short period of time. Therefore, each description has been omitted.
ii. Figures shown in parentheses are liability items.
iii. The current portion of long-term loans payable is included in long-term loans payable.
iv. The value of assets and liabilities arising from derivatives is shown by net value.

Note 1-1: The stocks and others without a quoted market price are not included in the above table "(1) Investment securities". The relevant financial instruments on the consolidated balance sheet are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2022 | 2022 |
| | Carrying value | Carrying value |
| Unlisted stocks | **¥437** | **$3,576** |

Note 1-2: Financial instruments for which obtaining the fair value is deemed to be extremely difficult:

| | Millions of yen |
|---|---|
| | 2021 |
| | Carrying value |
| Unlisted stocks | ¥633 |

The unlisted stocks in the preceding table do not have market values, and as estimating their future cash flows is deemed to be extremely difficult, they are not included in the above table "(1) Investment securities".

Note 2: Planned redemption amounts after the balance sheet date for held-to-maturity securities and receivables were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| | Within 1 year | Within 1 year | Within 1 year |
| Cash and deposits | **¥ 55,387** | ¥ 61,802 | **$452,551** |
| Trade notes and accounts receivable | **—** | 64,636 | **—** |
| Trade notes receivable | **16,176** | — | **132,168** |
| Trade accounts receivable | **46,175** | — | **377,284** |
| Total | **¥117,739** | ¥126,439 | **$962,004** |

Note 3: Planned redemption amounts after the balance sheet date for borrowings were as follows:

Millions of yen

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | within 1 year | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 5 years |
| Short-term loans payable | **¥1,292** | **¥ —** | **¥—** | **¥—** | **¥—** | **¥—** |
| Current portion of long-term loans payable | **1,346** | **—** | **—** | **—** | **—** | **—** |
| Long-term loans payable | **—** | **1,468** | **—** | **—** | **—** | **—** |
| Total | **¥2,638** | **¥1,468** | **¥—** | **¥—** | **¥—** | **¥—** |

Thousands of U.S. dollars

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | within 1 year | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 5 years |
| Short-term loans payable | **$10,561** | **$ —** | **$—** | **$—** | **$—** | **$—** |
| Current portion of long-term loans payable | **11,000** | **—** | **—** | **—** | **—** | **—** |
| Long-term loans payable | **—** | **12,000** | **—** | **—** | **—** | **—** |
| Total | **$21,561** | **$12,000** | **$—** | **$—** | **$—** | **$—** |

Millions of yen

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | within 1 year | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 5 years |
| Short-term loans payable | ¥1,516 | ¥ — | ¥ — | ¥— | ¥— | ¥— |
| Current portion of long-term loans payable | 1,217 | — | — | — | — | — |
| Long-term loans payable | — | 1,217 | 1,328 | — | — | — |
| Total | ¥2,734 | ¥1,217 | ¥1,328 | ¥— | ¥— | ¥— |

3. Components of financial instruments by fair value hierarchy

The Company classified the fair value of financial instruments into three levels, depending on the observability of inputs and its materiality related to the fair value measurement.

Level 1: Fair value determined based on the observable inputs, such as quoted prices in active markets for identical assets or liabilities

Level 2: Fair value determined based on observable inputs other than level 1 input

Level 3: Fair value determined based on unobservable inputs

If multiple inputs with a significant impact are used for the fair value measurement of a financial instrument, the financial instrument is classified into the lowest priority level of fair value measurement in which each input belongs.

(1) Financial instruments measured at fair value on the consolidated balance sheet

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | | | | |
| | Fair value | | | | | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | | | | | |
| Other securities | | | | | | | | |
| Stocks | **¥1,679** | **¥ —** | **¥—** | **¥1,679** | **$13,719** | **$ —** | **$—** | **$13,719** |
| Derivatives | | | | | | | | |
| Currency-related | **—** | **0** | **—** | **0** | **—** | **0** | **—** | **0** |
| Total assets | **¥1,679** | **¥ 0** | **¥—** | **¥1,679** | **$13,719** | **$ 0** | **$—** | **$13,720** |
| Derivatives | | | | | | | | |
| Currency-related | **¥ —** | **¥23** | **¥—** | **¥ 23** | **$ —** | **$195** | **$—** | **$ 195** |
| Total liabilities | **¥ —** | **¥23** | **¥—** | **¥ 23** | **$ —** | **$195** | **$—** | **$ 195** |

(2)Financial instruments other than those which are not measured at fair value on the consolidated balance sheet

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 2022 |
| | | | | | | | | Fair value |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Long-term loans payable | ¥— | ¥2,811 | ¥— | ¥2,811 | $— | $22,974 | $— | $22,974 |
| Total liabilities | ¥— | ¥2,811 | ¥— | ¥2,811 | $— | $22,974 | $— | $22,974 |

Note: Description of the evaluation methods and inputs used to measure fair value

Investment securities

The listed stocks are valued using the quoted price. Since the listed stocks are traded in active markets, their fair value is classified into Level 1.

Derivatives

The fair value of forward exchange contracts is classified into Level 2 as they are computed using observable inputs such as exchange rate, etc.

Long-term loans payable

With regard to the fair value of long-term loans payable, they are computed by discounting the amount of principal and interest value using the assumed interest rate applied to a new similar loan; thus, they are classified into Level 2. The fair value of long-term loans payable with variable interest rates hedged by interest rate swaps subject to the special treatment is calculated based on the net present value of the total amount of principal and interest, accounted for together with the interest rate swap, discounted by the interest rate rationally estimated for a similar loan.

## 13. Marketable and Investment Securities

1. The carrying value and acquisition cost of other securities as of March 31, 2022 and 2021 were as follows:

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2022 |
| | Description | Carrying value | Acquisition cost | Unrealized gain (loss) | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost | Stocks | ¥1,311 | ¥ 841 | ¥469 | $10,712 | $ 6,874 | $3,837 |
| | Bonds | — | — | — | — | — | — |
| | Other | — | — | — | — | — | — |
| Subtotal | | ¥1,311 | ¥ 841 | ¥469 | $10,712 | $ 6,874 | $3,837 |
| Securities whose acquisition cost exceeds their carrying value | Stocks | ¥ 368 | ¥ 402 | ¥ (34) | $ 3,007 | $ 3,291 | $ (283) |
| | Bonds | — | — | — | — | — | — |
| | Other | — | — | — | — | — | — |
| Subtotal | | ¥ 368 | ¥ 402 | ¥ (34) | $ 3,007 | $ 3,291 | $ (283) |
| Total | | ¥1,679 | ¥1,244 | ¥434 | $13,719 | $10,166 | $3,553 |

| | | Millions of yen | | |
|---|---|---|---|---|
| | | | | 2021 |
| | Description | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost | Stocks | ¥1,777 | ¥1,205 | ¥572 |
| | Bonds | — | — | — |
| | Other | — | — | — |
| Subtotal | | ¥1,777 | ¥1,205 | ¥572 |
| Securities whose acquisition cost exceeds their carrying value | Stocks | ¥ 36 | ¥ 57 | ¥ (20) |
| | Bonds | — | — | — |
| | Other | — | — | — |
| Subtotal | | ¥ 36 | ¥ 57 | ¥ (20) |
| Total | | ¥1,814 | ¥1,262 | ¥551 |

2. Other securities sold during the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | | | | | | 2022 |
| Description | Sales amount | Aggregate gains | Aggregate losses | Sales amount | Aggregate gains | Aggregate losses |
| Stocks | ¥15 | ¥13 | ¥— | $125 | $107 | $— |
| Bonds | — | — | — | — | — | — |
| Other | — | — | — | — | — | — |
| Total | ¥15 | ¥13 | ¥— | $125 | $107 | $— |

| | Millions of yen | | |
|---|---|---|---|
| | | | 2021 |
| Description | Sales amount | Aggregate gains | Aggregate losses |
| Stocks | ¥52 | ¥35 | ¥— |
| Bonds | — | — | — |
| Other | — | — | — |
| Total | ¥52 | ¥35 | ¥— |

3. Impairment of marketable and investment securities
The Company wrote down by ¥23 million (U.S.$189 thousand) with a remarkable decline in the value of investment for the year ended March 31,2022.

## 14. Derivatives

1. Derivatives to which the Company did not apply hedge accounting as of March 31, 2022 and 2021 were as follows:
(Currency related)

Millions of yen

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | Contract amounts | | | |
| | Nature of transaction | Total | Over 1 year | Fair value | Unrealized gain (loss) |
| Off-market transactions | Forward exchange contracts to: | | | | |
| | Sell: | | | | |
| | U.S. dollars (buy Japanese yen) | ¥672 | ¥— | ¥(19) | ¥(19) |
| | U.S. dollars (buy Korean won) | 84 | — | 0 | 0 |
| | Japanese yen (buy Korean won) | 31 | — | (0) | (0) |
| | Indonesian rupiah (buy Japanese yen) | 89 | — | (4) | (4) |
| | Buy: | | | | |
| | Australian dollars (sell Japanese yen) | 2 | — | (0) | (0) |
| Total | | ¥879 | ¥— | ¥(23) | ¥(23) |

Thousands of U.S. dollars

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | Contract amounts | | | |
| | Nature of transaction | Total | Over 1 year | Fair value | Unrealized gain (loss) |
| Off-market transactions | Forward exchange contracts to: | | | | |
| | Sell: | | | | |
| | U.S. dollars (buy Japanese yen) | $5,494 | $— | $(157) | $(157) |
| | U.S. dollars (buy Korean won) | 687 | — | 0 | 0 |
| | Japanese yen (buy Korean won) | 253 | — | (0) | (0) |
| | Indonesian rupiah (buy Japanese yen) | 732 | — | (36) | (36) |
| | Buy: | | | | |
| | Australian dollars (sell Japanese yen) | 18 | — | (0) | (0) |
| Total | | $7,186 | $— | $(194) | $(194) |

Millions of yen

| | | 2021 | | | |
|---|---|---|---|---|---|
| | | Contract amounts | | | |
| | Nature of transaction | Total | Over 1 year | Fair value | Unrealized gain (loss) |
| Off-market transactions | Forward exchange contracts to: | | | | |
| | Sell: | | | | |
| | U.S. dollars (buy Japanese yen) | ¥924 | ¥— | ¥(18) | ¥(18) |
| | U.S. dollars (buy Korean won) | 18 | — | 0 | 0 |
| | Japanese yen (buy Korean won) | 20 | — | (0) | (0) |
| | Indonesian rupiah (buy Japanese yen) | 7 | — | (0) | (0) |
| Total | | ¥970 | ¥— | ¥(18) | ¥(18) |

2. Derivatives to which the Company applied hedge accounting as of March 31, 2022 and 2021 were as follows:
(Interest rate related)

Millions of yen

| | | | **2022** | | |
|---|---|---|---|---|---|
| | | | Contract amounts | | |
| Hedge accounting method | Type of derivatives | Major hedged items | Total | Over 1 year | Fair value |
| The Tokurei-shori for interest rate swaps | Interest rate swaps<br>Variable rate receipt / Fixed rate payment | Long-term loans payable | **¥550** | **¥305** | **¥(Note)** |

Thousands of U.S. dollars

| | | | **2022** | | |
|---|---|---|---|---|---|
| | | | Contract amounts | | |
| Hedge accounting method | Type of derivatives | Major hedged items | Total | Over 1 year | Fair value |
| The Tokurei-shori for interest rate swaps | Interest rate swaps<br>Variable rate receipt / Fixed rate payment | Long-term loans payable | **$4,500** | **$2,500** | **$(Note)** |

Note: Interest rate swaps subject to the Tokurei-shori for interest rate swaps are treated together with the hedged long-term loans payable. Accordingly, the fair value of those interest rate swaps is included in the fair value of the long-term loans payable.

Millions of yen

| | | | 2021 | | |
|---|---|---|---|---|---|
| | | | Contract amounts | | |
| Hedge accounting method | Type of derivatives | Major hedged items | Total | Over 1 year | Fair value |
| The Tokurei-shori for interest rate swaps | Interest rate swaps<br>Variable rate receipt / Fixed rate payment | Long-term loans payable | ¥498 | ¥498 | ¥(Note) |

Note: Interest rate swaps subject to the Tokurei-shori for interest rate swaps are treated together with the hedged long-term loans payable. Accordingly, the fair value of those interest rate swaps is included in the fair value of the long-term loans payable.

## 15. Retirement Benefits

The Company has defined benefit plans of a corporate pension fund plan under the Japanese Defined Benefit Corporate Pension Law and lump-sum payment plan.

Domestic consolidated subsidiaries have lump-sum payment plans and certain foreign consolidated subsidiaries have defined contribution plans and lump-sum payment plans.

The following summarizes information related to retirement benefits for the years ended March 31, 2022 and 2021.

### 1. Defined benefit plans

(1) Reconciliation statement for the beginning balance and the ending balance of retirement benefit obligations

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Retirement benefit obligations at beginning of year | **¥40,404** | ¥38,944 | **$330,126** |
| Service cost | **2,061** | 1,996 | **16,840** |
| Interest cost | **203** | 198 | **1,662** |
| Actuarial gains (losses) | **182** | 717 | **1,488** |
| Retirement benefits paid | **(1,796)** | (1,556) | **(14,676)** |
| Increase (decrease) from foreign currency translation | **28** | 3 | **236** |
| Other | **50** | 100 | **410** |
| Retirement benefit obligations at end of year | **¥41,133** | ¥40,404 | **$336,088** |

Note: For some of the consolidated subsidiaries, the simplified method is used to calculate retirement benefit obligations.

(2) Reconciliation statement for the beginning balance and the ending balance of plan assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Plan assets at beginning of year | **¥24,973** | ¥22,570 | **$204,049** |
| Expected return on plan assets | **817** | 728 | **6,676** |
| Actuarial gains (losses) | **213** | 2,166 | **1,746** |
| Contributions from the employer | **665** | 655 | **5,436** |
| Retirement benefits paid | **(1,490)** | (1,156) | **(12,178)** |
| Increase (decrease) from foreign currency translation | **17** | 9 | **145** |
| Plan assets at end of year | **¥25,197** | ¥24,973 | **$205,875** |

(3) Reconciliation statement for the ending balance of retirement benefit obligations and plan assets and net defined benefit liability or asset recorded in the consolidated financial statements

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Retirement benefit obligations of a funded pension plan | **¥ 40,848** | ¥ 40,122 | **$ 333,753** |
| Plan assets | **(25,197)** | (24,973) | **(205,875)** |
| | **15,650** | 15,149 | **127,878** |
| Retirement benefit obligations of an unfunded pension plan | **285** | 281 | **2,334** |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | **¥ 15,936** | ¥ 15,430 | **$ 130,212** |
| | | | |
| Net defined benefit liability | **¥ 15,937** | ¥ 15,431 | **$ 130,217** |
| Net defined benefit asset | **(0)** | (1) | **(4)** |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | **¥ 15,936** | ¥ 15,430 | **$ 130,212** |

(4) Components of retirement benefit expenses

| | Millions of yen 2022 | Millions of yen 2021 | Thousands of U.S. dollars 2022 |
|---|---|---|---|
| Service cost | **¥2,061** | ¥1,996 | **$16,840** |
| Interest cost | **203** | 198 | **1,662** |
| Expected return on plan assets | **(817)** | (728) | **(6,676)** |
| Amortization of actuarial losses (gains) | **643** | 601 | **5,258** |
| Amortization of prior service cost | **71** | 71 | **586** |
| Other | **(33)** | 27 | **(277)** |
| Retirement benefit expenses for the defined benefit plans | **¥2,128** | ¥2,166 | **$17,394** |

Notes: i. Retirement benefit expenses of consolidated subsidiaries using the simplified method are included in service cost.
ii. Employee's contributions to the corporate pension fund are not included in the retirement benefit expenses for the defined benefit plans.

(5) Remeasurements of defined benefit plans recorded in other comprehensive income
Breakdown of items (before tax effect) recorded in other comprehensive income of remeasurements of defined benefit plans are as follows:

| | Millions of yen 2022 | Millions of yen 2021 | Thousands of U.S. dollars 2022 |
|---|---|---|---|
| Prior service cost | **¥ (71)** | ¥ (71) | **$ (586)** |
| Actuarial losses (gains) | **(668)** | (2,050) | **(5,464)** |
| Total | **¥(740)** | ¥(2,122) | **$(6,050)** |

(6) Remeasurements of defined benefit plans recorded in accumulated other comprehensive income
Breakdown of items (before tax effect) recorded in accumulated other comprehensive income of remeasurements of defined benefit plans are as follows:

| | Millions of yen 2022 | Millions of yen 2021 | Thousands of U.S. dollars 2022 |
|---|---|---|---|
| Unrecognized prior service cost | **¥ 691** | ¥ 763 | **$ 5,649** |
| Unrecognized actuarial losses (gains) | **2,793** | 3,462 | **22,827** |
| Total | **¥3,485** | ¥4,225 | **$28,476** |

(7) Items related to plan assets
1. Breakdown of major items
The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 was as follows:

| | 2022 | 2021 |
|---|---|---|
| Bonds | **61.5%** | 59.9% |
| Stocks | **17.1%** | 21.9% |
| Alternatives | **8.7%** | 9.7% |
| Cash and deposits | **9.8%** | 5.6% |
| Other | **2.9%** | 2.9% |
| Total | **100.0%** | 100.0% |

Note: Alternatives are mainly investments on hedge funds.

2. Method for determining the expected long-term rate of return on plan assets
In determining the expected long-term rate of return on plan assets, estimates are considered based on the current and expected allocation of plan assets and the current and expected long-term rate of return from the various assets comprising the plan assets.

(8) Major actuarial assumptions as of March 31, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | **Mainly 0.5%** | Mainly 0.5% |
| Expected long-term rate of return on plan assets | **Mainly 3.5%** | Mainly 3.5% |
| Expected salary increase rate | **Mainly 2.2%** | Mainly 2.2% |

**2. Defined contribution plans**

Some of the consolidated subsidiaries contributed ¥402 million (U.S.$3,292 thousand) and ¥344 million, for the years ended March 31, 2022 and 2021 to the defined contribution plans, respectively.

## 16. Stock Option Plan

There are no components of stock-based compensation expense for the years ended March 31, 2022 and 2021.

The following table summarizes contents of stock options as of March 31, 2022:

The 2006 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 10, 2006 |
| Position and number of grantees | Directors, 17 |
| Class and number of stocks | Common stock 10,500 shares |
| Date of grant | August 25, 2006 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 26, 2006 to August 25, 2026 |

The 2007 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 9, 2007 |
| Position and number of grantees | Directors, 17 |
| Class and number of stocks | Common stock 9,300 shares |
| Date of grant | August 24, 2007 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 25, 2007 to August 24, 2027 |

The 2008 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 8, 2008 |
| Position and number of grantees | Directors, 14 |
| Class and number of stocks | Common stock 9,800 shares |
| Date of grant | August 25, 2008 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 26, 2008 to August 25, 2028 |

The 2009 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 7, 2009 |
| Position and number of grantees | Directors, 14 |
| Class and number of stocks | Common stock 15,000 shares |
| Date of grant | August 24, 2009 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 25, 2009 to August 24, 2029 |

The 2010 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 9, 2010 |
| Position and number of grantees | Directors, 16 |
| Class and number of stocks | Common stock 14,100 shares |
| Date of grant | August 24, 2010 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 25, 2010 to August 24, 2030 |

| The 2011 plan | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 9, 2011 |
| Position and number of grantees | Directors, 8 |
| Class and number of stocks | Common stock 7,600 shares |
| Date of grant | August 24, 2011 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 25, 2011 to August 24, 2031 |

| The 2012 plan | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 8, 2012 |
| Position and number of grantees | Directors, 8 and Executive Officers, 12 |
| Class and number of stocks | Common stock 15,900 shares |
| Date of grant | August 23, 2012 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 24, 2012 to August 23, 2032 |

| The 2013 plan | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 7, 2013 |
| Position and number of grantees | Directors, 10 and Executive Officers, 12 |
| Class and number of stocks | Common stock 22,000 shares |
| Date of grant | August 22, 2013 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 23, 2013 to August 22, 2033 |

| The 2014 plan | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 6, 2014 |
| Position and number of grantees | Directors, 10 and Executive Officers, 12 |
| Class and number of stocks | Common stock 18,300 shares |
| Date of grant | August 21, 2014 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 22, 2014 to August 21, 2034 |

| The 2015 plan | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 6, 2015 |
| Position and number of grantees | Directors, 11 and Executive Officers, 12 |
| Class and number of stocks | Common stock 14,600 shares |
| Date of grant | August 21, 2015 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 22, 2015 to August 21, 2035 |

The 2016 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 9, 2016 |
| Position and number of grantees | Directors, 11 and Executive Officers, 12 |
| Class and number of stocks | Common stock 12,200 shares |
| Date of grant | August 24, 2016 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 25, 2016 to August 24, 2036 |

The 2017 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | August 7, 2017 |
| Position and number of grantees | Directors, 11 and Executive Officers, 12 |
| Class and number of stocks | Common stock 14,400 shares |
| Date of grant | August 22, 2017 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From August 23, 2017 to August 22, 2037 |

The 2018 plan

| | |
|---|---|
| Name of Company | The Company |
| Date of approval of the Board of Directors | April,19 2018 |
| Position and number of grantees | Executive Officers, 13 |
| Class and number of stocks | Common stock 3,900 shares |
| Date of grant | May 7, 2018 |
| Condition and settlement of rights | Persons who have received allotment of share subscription rights must hold the position of executive officer of the Company at the time of grant. |
| Period of providing service for stock options | — |
| Exercise period | From May 8, 2018 to May 7, 2038 |

The following tables summarize the scale and movement of stock options for the year ended March 31, 2022:

**(Non-vested stock options)**

(Unit: shares)

| | The 2006 plan | The 2007 plan | The 2008 plan | The 2009 plan | The 2010 plan | The 2011 plan | The 2012 plan | The 2013 plan | The 2014 plan | The 2015 plan | The 2016 plan | The 2017 plan | The 2018 plan |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Stock options outstanding at April 1, 2021 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stock options granted | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Forfeitures | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Conversion to vested stock options | — | — | — | — | — | — | — | — | — | — | — | — | — |
| **Stock options outstanding at March 31, 2022** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

**(Vested stock options)**

(Unit: shares)

| | The 2006 plan | The 2007 plan | The 2008 plan | The 2009 plan | The 2010 plan | The 2011 plan | The 2012 plan | The 2013 plan | The 2014 plan | The 2015 plan | The 2016 Plan | The 2017 Plan | The 2018 Plan |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Stock options outstanding at April 1, 2021 | 1,400 | 1,100 | 1,500 | 2,100 | 1,800 | 1,600 | 2,800 | 5,800 | 6,200 | 7,400 | 6,200 | 10,200 | 3,900 |
| Conversion from non-vested stock options | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stock options exercised | — | — | — | — | — | — | — | 600 | 500 | 600 | 500 | 600 | — |
| Forfeitures | — | — | — | — | — | — | — | — | — | — | — | — | — |
| **Stock options outstanding at March 31, 2022** | **1,400** | **1,100** | **1,500** | **2,100** | **1,800** | **1,600** | **2,800** | **5,200** | **5,700** | **6,800** | **5,700** | **9,600** | **3,900** |

The following table summarizes the price information of stock options as of March 31, 2022:

| | The 2006 plan | The 2007 plan | The 2008 plan | The 2009 plan | The 2010 plan | The 2011 plan | The 2012 plan | The 2013 plan | The 2014 plan | The 2015 plan | The 2016 Plan | The 2017 Plan | The 2018 Plan |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Exercise price | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 |
| Average market price of the stock at the time of exercise | — | — | — | — | — | — | — | 2,491 | 2,491 | 2,491 | 2,491 | 2,491 | — |
| Fair value at the date of grant | 2,788 | 1,947 | 1,481 | 1,726 | 1,474 | 1,303 | 1,203 | 1,595 | 1,825 | 2,283 | 1,445 | 2,261 | 2,509 |

There were no stock options granted during the year ended March 31, 2022.

### 17. Income Taxes

1. The Company and its consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.62% for the years ended March 31, 2022 and 2021, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2022 and 2021 differ from the statutory tax rate for the following reasons:

| | 2022 | 2021 |
|---|---|---|
| Statutory tax rate | 30.62% | 30.62% |
| Effect of: | | |
| Permanently non-deductible expenses for income tax purposes such as entertainment expenses | 0.50 | 0.81 |
| Permanently non-taxable income for income tax purposes such as dividend income | (11.58) | (17.11) |
| Municipal tax | 0.25 | 0.35 |
| The difference of tax rates applied to foreign subsidiaries | (4.56) | (5.94) |
| Tax deduction in accordance with special tax measures | (1.90) | (2.04) |
| Increase (Decrease) of valuation allowance for such as net operating loss carryforward | 13.54 | 2.60 |
| Consolidated adjustments of dividend income from consolidated subsidiaries | 13.07 | 20.91 |
| The impairment loss on goodwill | — | 0.15 |
| Foreign withholding tax | 2.60 | 2.54 |
| Takeover of net operating loss carryforward | (12.55) | — |
| Other, net | (1.80) | (1.29) |
| Effective tax rate | 28.19% | 31.60% |

2. The significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022 | 2021 | 2022 |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ — | ¥ 762 | $ — |
| Provision for bonuses | 820 | — | 6,701 |
| Accrued enterprise taxes | 217 | 179 | 1,775 |
| Operating loss carryforwards (Note 2) | 4,294 | 1,184 | 35,091 |
| Net defined benefit liability | 4,864 | 4,693 | 39,749 |
| Retirement benefit trust | 154 | 340 | 1,264 |
| Research and development cost | 606 | 582 | 4,953 |
| Foreign tax credit carryforwards | 571 | 557 | 4,669 |
| Loss on valuation of inventories | 713 | 385 | 5,829 |
| Allowance for doubtful accounts | 128 | 136 | 1,046 |
| Unrealized gain | 557 | 377 | 4,558 |
| Excess of depreciation expense | 242 | 463 | 1,977 |
| Other | 1,762 | 637 | 14,400 |
| Gross deferred tax assets | 14,933 | 10,300 | 122,019 |
| Valuation allowance related to operating loss carryforwards (Note 2) | (4,279) | (1,182) | (34,967) |
| Valuation allowance related to total deductible temporary differences | (1,956) | (1,537) | (15,984) |
| Valuation allowance (Note 1) | (6,236) | (2,720) | (50,952) |
| | 8,697 | 7,580 | 71,066 |
| Deferred tax liabilities: | | | |
| Revaluation of fixed assets in accordance with special tax measures | (160) | (165) | (1,307) |
| Net unrealized holding gain on securities | (133) | (168) | (1,088) |
| Depreciation expense of subsidiaries | (18) | (3) | (148) |
| Dividend income from consolidated subsidiaries | (435) | (360) | (3,561) |
| Other | (561) | (11) | (4,583) |
| | (1,308) | (708) | (10,689) |
| Net deferred tax assets | ¥ 7,389 | ¥ 6,871 | $ 60,377 |

Note 1: The valuation allowance has increased by ¥3,516 million (U.S.$28,728 thousand), due to an increase of ¥3,096 million (U.S.$25,304 thousand) for operating loss carryforwards in its consolidated subsidiaries.
Note 2: Amounts of operating loss carryforwards and related deferred tax assets by operating loss carryforwards for the years ended March 31, 2022 and 2021 were as follows:

Millions of yen

| 2022 | Within 1 year | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Operating loss carryforwards | ¥ 40 | ¥— | ¥— | ¥ 43 | ¥ 23 | ¥ 4,188 | ¥ 4,294 |
| Valuation allowance | (36) | — | — | (34) | (23) | (4,185) | (4,279) |
| Deferred tax assets | ¥ 3 | ¥— | ¥— | ¥ 9 | ¥ — | ¥ 2 | ¥ 15 |

Thousands of U.S. dollars

| 2022 | Within 1 year | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 5 Years | Total |
|---|---|---|---|---|---|---|---|
| Operating loss carryforwards | $ 328 | $— | $— | $ 353 | $ 189 | $ 34,219 | $ 35,091 |
| Valuation allowance | (297) | — | — | (279) | (189) | (34,200) | (34,967) |
| Deferred tax assets | $ 31 | $— | $— | $ 73 | $ — | $ 18 | $ 123 |

Note: Figures for operating loss carryforwards were the amounts multiplied by statutory tax rate.

Millions of yen

| 2021 | Within 1 year | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Operating loss carryforwards | ¥ 96 | ¥ 32 | ¥ 18 | ¥— | ¥ 43 | ¥ 992 | ¥ 1,184 |
| Valuation allowance | (96) | (32) | (18) | — | (43) | (991) | (1,182) |
| Deferred tax assets | ¥ — | ¥ — | ¥ — | ¥— | ¥ — | ¥ 1 | ¥ 1 |

Note: Figures for operating loss carryforwards were the amounts multiplied by statutory tax rate.

## 18. Business Combinations

**1. Business combination by acquisition**

(1) Outline of business combination

① Name and business description of the acquired company

| Name | DURAMARK PRODUCTS, INC. |
|---|---|
| Business description | Manufacture and sale of adhesive papers and films for labels, graphic films, etc. |

(Note) The company name has been changed to MACTAC, INC. on April 8, 2021.

② Reasons for the business combination

The Group has been moving forward with the globalization of its business based on the concept of local production, manufacturing products in locations that are closer to its customers and providing them with a stable supply. Notably, in North America, in December 2016 the Group acquired MACTAC, a manufacturer and distributor of adhesive papers and films for labels, and graphic films, thereby strengthening and expanding its Printing & Variable Information Products Operations and Industrial & Material Operations, which are the Group's core businesses.

DURAMARK's business operations span adhesive papers and films for labels, and graphic films, mainly provided to customers in North America. The acquisition provides immediate access to production equipment that MACTAC requires to increase the production capacity of adhesive papers and films for labels, its main products. In addition, the introduction of the DURAMARK-owned integrated production system for graphic films, as well as in-house production, will greatly help to acquire new commercial rights and expand sales. The Group plans to strengthen and expand its business not only in North America but also in Japan and other regions.

③ Effective date of the business combination

April 1, 2021 (US time)

④ Legal form of the business combination

Acquisition of shares

⑤ Ratio of acquired voting rights

100%

⑥ Rationale for the determination of acquiring the company

The determination was made because the Company acquired 100% voting rights of DURAMARK through MORGAN ADHESIVES COMPANY, LLC, a wholly owned subsidiary of MACTAC in the United States, by the acquisition of shares in exchange for cash.

(2) Period for which the operating results of the acquired company are included in the consolidated financial statements

Since the accounting period of DURAMARK PRODUCTS, INC. is from January 1st to December 31st, the operating results from April 1, 2021 to December 31, 2021 are included in the consolidated statement of income.

(3) Acquisition cost of the acquired company and breakdown of consideration for the acquisition by type

| | | |
|---|---|---|
| Consideration for the acquisition | Cash | U.S.$58,000 thousands (¥6,440 million) |
| Acquisition cost | | U.S.$58,000 thousands (¥6,440 million) |

Note: The yen amounts are conversions based on the exchange rate as of April 1,2021.

(4) Content and amount of major acquisition-related costs

Advisory expenses and others: ¥77 million (U.S. $630 thousands)

(5) Amount of gain on bargain purchase arising from the business combination and cause of the gain on bargain purchase

① Amount of gain on bargain purchase arising from the business combination

¥282 million [U.S.$2,308 thousand]

② Cause of the gain on bargain purchase

The gain on bargain purchase arose due to the market value of net assets at the time of business combination exceeded the acquisition cost.

(6) Amounts of assets received and liabilities assumed on the date of business combination, and their major components

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2022 | |
| Current assets | ¥2,494 | $20,379 |
| Non-current assets | 5,994 | 48,979 |
| Total assets | ¥8,488 | $69,359 |
| Current liabilities | ¥1,331 | $10,875 |
| Non-current liabilities | 433 | 3,542 |
| Total liabilities | ¥1,764 | $14,418 |

**2. Business combination by acquisition**

(1) Outline of business combination

① Name of the counterparty

SPINNAKER HOLDING INC.

② Business description of the counterparty

Manufacture and sales of adhesive paper and film for labels and other products operated by SPINNAKER COATING, LLC, a subsidiary of SPINNAKER HOLDING INC.

③ Reasons for the business combination

The Group has been moving forward with the globalization of its business based on the concept of local production, manufacturing products in locations that are closer to its customers and providing them with a stable supply.

In North America, the Company acquired MACTAC, a manufacturer and distributor of adhesive papers and film for label, and graphic film, in December 2016, establishing it as a Group company. To strengthen and expand the Group's core business, Printing & Variable Information Products Operations, MACTAC acquired DURAMARK PRODUCTS, INC. in April 2021.

Spinnaker Coating, LLC, which is a subsidiary of Spinnaker Holding Inc., is a supplier of adhesive paper and film for labels, primarily servicing customers located in North America. Its strengths lie in the manufacture and sales of adhesive sheets for lithographic printing and small-lot, high-mix roll label products. The Group has determined that combining these strengths with the large lot and general-purpose roll label products that are MACTAC strengths will enable the Group to expand its share of the North American market and increase profitability.

④ Effective date of the business combination

February 1, 2022 (US time)

⑤ Legal form of the business combination

Business transfer in exchange for cash.

⑥ Name of the acquired company after the combination:

SPINNAKER PRESSURE SENSITIVE PRODUCTS LLC ["SPINNAKER"]

⑦ Rationale for the determination of acquiring the company

The determination was made because the Company purchased the assets of SPINNAKER COATING, LLC which is a subsidiary of SPINAKKER HOLDING INC., through MORGAN ADHESIVES COMPANY, LLC, a wholly owned subsidiary of MACTAC in the United States, by the business transfer in exchange for cash.

(2) Period for which the operating results of the acquired company are included in the consolidated financial statements

Since the accounting period of SPINNAKER PRESSURE SENSITIVE PRODUCTS LLC is from January 1st to December 31st and its acquisition date is February 1, 2022, the consolidation had been done only on the balance sheet in the year ended March 31,2022. Therefore, the operating results of SPINNAKER PRESSURE SENSITIVE PRODUCTS LLC are not included in the consolidated statement of income.

(3) Acquisition cost of the acquired company and breakdown of consideration for the acquisition by type

| | | |
|---|---|---|
| Consideration for the acquisition | Cash | U.S.$40,000 thousands (¥4,617 million) |
| Acquisition cost | | U.S.$40,000 thousands (¥4,617 million) |

Note 1: The yen amounts are conversions based on the exchange rate as of February 1,2022.
Note 2: The Group is currently taking into consideration working capital and other variables at the time of business transfer based on the transfer agreement. At present, the acquisition cost has not yet been definitively determined so the amounts listed above are provisional as of the year ended March 31, 2022.

(4) Content and amount of major acquisition-related costs
Advisory expenses and others: ¥53 million (U.S. $434 thousands)

(5) Amount of goodwill arising from the business combination, cause of the goodwill, and amortization method and period
① Amount of goodwill arising from the business combination
¥1,419 million [U.S.11,599 thousands]
The amount of goodwill as of the year ended March 31,2022 are provisional.
② Cause of the goodwill
The goodwill arose due to SPINNAKER's future additional earnings power that is expected from future business development.
③ Amortization method and period
By straight-line method over 10 years

(6) Amounts of assets received and liabilities assumed on the date of business combination, and their major components

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | 2022 |
| Current assets | ¥3,960 | $32,356 |
| Non-current assets | 1,079 | 8,822 |
| Total assets | ¥5,039 | $41,179 |
| Current liabilities | ¥1,842 | $15,050 |
| Total liabilities | ¥1,842 | $15,050 |

Note: The Group is currently taking into consideration the purchased assets and liabilities at the time of business transfer based on the transfer agreement. At present, the acquisition cost has not yet been definitively determined so the amounts listed above are provisional as of the year ended March 31, 2022.

### 19. Asset Retirement Obligations

No specific disclosure has been made for the years ended March 31, 2022 and 2021 because of its immateriality.

### 20. Rental Property

No specific disclosure for rental property has been made as of March 31, 2022 and 2021 because of its immateriality.

### 21. Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

The information on disaggregation of revenue are as follows:

Millions of yen

| | 2022 | | | |
|---|---|---|---|---|
| | Reportable Segments | | | |
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total |
| Japan | ¥ 58,476 | ¥27,674 | ¥27,066 | ¥113,216 |
| China | 5,130 | 18,971 | 1,787 | 25,890 |
| Asia | 12,098 | 41,115 | 3,649 | 56,863 |
| U.S.A. | 48,088 | 1,399 | 70 | 49,558 |
| Others | 8,627 | 2,218 | 461 | 11,307 |
| Revenue from contracts with customers | ¥132,421 | ¥91,379 | ¥33,035 | ¥256,836 |
| Other revenue | ¥ — | ¥ — | ¥ — | ¥ — |
| Sales to external customers | ¥132,421 | ¥91,379 | ¥33,035 | ¥256,836 |

Thousands of U.S. dollars

| | 2022 | | | |
|---|---|---|---|---|
| | Reportable Segments | | | |
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total |
| Japan | $ 477,785 | $226,115 | $221,148 | $ 925,049 |
| China | 41,920 | 155,012 | 14,606 | 211,539 |
| Asia | 98,852 | 335,941 | 29,814 | 464,608 |
| U.S.A. | 392,912 | 11,433 | 579 | 404,925 |
| Others | 70,491 | 18,125 | 3,771 | 92,387 |
| Revenue from contracts with customers | $1,081,961 | $746,627 | $269,920 | $2,098,510 |
| Other revenue | $ — | $ — | $ — | $ — |
| Sales to external customers | $1,081,961 | $746,627 | $269,920 | $2,098,510 |

2. Basic Information for understanding the revenue from contracts with customers
The Company and its consolidated subsidiaries are engaged in sale and manufacture of products such as Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products, and our performance obligation is satisfied by providing mainly finished products to customers.

Although revenue is usually recognized when control of the finished products is transferred to customers, in domestic sales, revenue is recognized upon shipment if the duration from the time of shipment to the time when control of the product is transferred to the customer is the normal period.

In charged supplying transactions in which the Company purchases raw materials, etc. from a customer, conducts processing and sells the finished products to the customer, only an amount equivalent to processing costs, excluding purchase prices of raw materials, etc., is recognized as a net amount of revenue.

In charged supplying transactions with repurchase obligations, revenue related to a transfer of supplied items is not recognized.

In export sales, the Company recognizes revenue when risk is transferred to a customer according to trade conditions specified by Incoterms, etc.

Regarding consideration paid to a customer, including sales cooperation rebate, it is deducted from net sales.

Consideration for these performance obligations is received approximately within one year after the performance obligations are satisfied and does not include significant financial components.

3. Information about the relationship between satisfied performance obligations based on contracts with customers and the cash flows generated from the contracts, and the amounts of revenue and periods expected to be recognized from the contracts with the customers existing at the end of the current fiscal year after the next fiscal year.
(1) The balance of contract liabilities, etc.

| | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | 2021 | **2022** | 2021 | **2022** |
| | April 1 | **March 31** | April 1 | **March 31** |
| The balance of receivables from contracts with customers | ¥64,636 | **¥62,351** | $528,123 | **$509,452** |
| The balance of contract liabilities | ¥ 371 | **¥ 1,190** | $ 3,037 | **$ 9,727** |

Contract liabilities which are mainly considerations received from customers before shipment of goods, are included in "Other" in current liabilities on the consolidated balance sheet. The revenue included in the balance of contract liabilities as of beginning of the year ended March 31, 2022 out of the revenue recognized as of the year ended March 31, 2022 were 371 million yen (U.S.$3,033 thousand)
(2) Transaction price allocated to the remaining performance obligations
Regarding transaction price allocated to the remaining performance obligations, the Company and its consolidated subsidiaries adopt practical expedient; thus, it has been omitted because the contract period initially expected is less than one year.

**22. Segment Information**
1. Overview of reportable segments
(1) Decision procedures for reportable segments
The business segments of our group are subject to periodic review because each of them provides its own financial information separately from other business units of our group and the board of directors not only makes a decision on allocation of management resources, but also evaluates the performance of them.

Our group consists of 6 business segments, each of which develops comprehensive strategies and conducts business activities in overseas and domestic markets.

Based on product manufacturing methods and similarity of the markets where the products are introduced, we aggregate these business segments into 3 distinguishable units, such as "Printing and Industrial Materials Products," "Electronic and Optical Products," and "Paper and Converted Products," to include in this report.
(2) Products and services handled in each segment
Products and services handled in each segment were as follows:

| Reportable segments | Main products and services |
|---|---|
| Printing and Industrial Materials Products | Adhesive products for seals and labels, Labeling machines, Automobile-use adhesive products, Industrial-use adhesive tapes, Window films, Films for outdoor signs and advertising, Interior finishing mounting films |
| Electronic and Optical Products | Semiconductor-related adhesive tapes, Semiconductor-related equipment, Multilayer ceramic capacitor-related tapes, Optical display-related adhesive products |
| Paper and Converted Products | Color papers for envelopes, Colored construction papers, Special function papers, High-grade printing papers, Construction material paper, Release papers for adhesive products, Release films for optical-related products, Casting papers for synthetic leather, Casting papers for carbon fiber composite materials |

(3) The Group has made partial changes in business performance management classification. Accordingly, beginning from the year ended March 31, 2022 some products are reclassified from "Paper and Converted Products" to "Electronic and Optical Products." The segment information for the previous fiscal year is based on the reclassifies segments.

2. Method of calculating sales and income (loss), assets, and other items by reportable segments reported
The reported information regarding business segments is processed mostly following the accounting procedures listed in "Significant Accounting Policies" used as basis for preparing consolidated financial statements.

The profits of the segments reported are based on operating income.

The values for internal sales and transfers conducted between segments are given based on the market price for transactions between consolidated companies, and on the first cost for transactions within the same company.

As described in the "Change in accounting principles", the Company adopted the Accounting Standard for Revenue Recognition, etc. and changed accounting methods for revenue recognition from the beginning of the fiscal year ended March 31, 2022. Due to this change, it was modified the methods for the measurement of profits and losses of its business segments.

As a result of the changes, compared to the previous methods, net sales for "Printing and Industrial Materials Products" as of the year ended March 31, 2022, decreased by 1,861 million yen(U.S.$15,207 thousand) and segment income by 43 million yen(U.S.$356 thousand), net sales for "Electronic and Optical Products" decreased by 11,089 million yen(U.S.$90,608 thousand) and segment income by 5 million yen(U.S.$47 thousand), and net sales for "Paper and Converted Products" decreased by 614 million yen(U.S.$5,017 thousand) and segment income by 15 million yen(U.S.$127 thousand).

3. Information on sales and income (loss), assets, and other items by reportable segment for the years ended March 31, 2022 and 2021 are outlined as follows:

Millions of yen

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Adjustments | Consolidation |
| Net sales | | | | | | |
| Net sales to external customers | **¥132,421** | **¥91,379** | **¥33,035** | **¥256,836** | **¥ —** | **¥256,836** |
| Intra-segment sales and transfers | **70** | **26** | **13,181** | **13,278** | **(13,278)** | **—** |
| Total | **¥132,491** | **¥91,406** | **¥46,217** | **¥270,115** | **¥(13,278)** | **¥256,836** |
| Segment income | **¥ 1,373** | **¥19,176** | **¥ 971** | **¥ 21,522** | **¥ 62** | **¥ 21,584** |
| Others | | | | | | |
| Depreciation and amortization | **¥ 4,218** | **¥ 3,735** | **¥ 1,941** | **¥ 9,895** | **¥ —** | **¥ 9,895** |
| Amortization of goodwill | **¥ 3,200** | **¥ —** | **¥ —** | **¥ 3,200** | **¥ —** | **¥ 3,200** |

Thousands of U.S. dollars

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Adjustments | Consolidation |
| Net sales | | | | | | |
| Net sales to external customers | **$1,081,961** | **$746,627** | **$269,920** | **$2,098,510** | **$ —** | **$2,098,510** |
| Intra-segment sales and transfers | **576** | **218** | **107,700** | **108,495** | **(108,495)** | **—** |
| Total | **$1,082,538** | **$746,845** | **$377,620** | **$2,207,005** | **$(108,495)** | **$2,098,510** |
| Segment income | **$ 11,225** | **$156,683** | **$ 7,938** | **$ 175,848** | **$ 508** | **$ 176,356** |
| Others | | | | | | |
| Depreciation and amortization | **$ 34,467** | **$ 30,523** | **$ 15,862** | **$ 80,853** | **$ —** | **$ 80,853** |
| Amortization of goodwill | **$ 26,146** | **$ —** | **$ —** | **$ 26,146** | **$ —** | **$ 26,146** |

Notes: i. Segment income adjustments show elimination of the amount of intra-segment transactions.
ii. Segment income is adjusted to be reported as operating income in the consolidated statement of income.
iii. The amounts to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.
iv. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the business segment is done.

Millions of yen

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Adjustments | Consolidation |
| Net sales | | | | | | |
| Net sales to external customers | ¥115,745 | ¥88,976 | ¥31,181 | ¥235,902 | ¥ — | ¥235,902 |
| Intra-segment sales and transfers | 59 | 41 | 12,247 | 12,347 | (12,347) | — |
| Total | ¥115,804 | ¥89,017 | ¥43,428 | ¥248,249 | ¥(12,347) | ¥235,902 |
| Segment income (loss) | ¥ (239) | ¥15,067 | ¥ 2,138 | ¥ 16,967 | ¥ 63 | ¥ 17,030 |
| Others | | | | | | |
| Depreciation and amortization | ¥ 3,930 | ¥ 3,636 | ¥ 1,794 | ¥ 9,361 | ¥ — | ¥ 9,361 |
| Amortization of goodwill | ¥ 3,110 | ¥ — | ¥ — | ¥ 3,110 | ¥ — | ¥ 3,110 |

Notes: i. Segment income or loss adjustments show elimination of the amount of intra-segment transactions.
ii. Segment income or loss is adjusted to be reported as operating income in the consolidated statement of income.
iii. The amounts to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.
iv. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the business segment is done.

**Related Information**

1. Information by product and service

Since the Company and its consolidated subsidiaries disclose the same information in its segment information section, it has been omitted.

2. Information by geographical segment

Millions of yen

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Japan | China | Asia | U.S.A. | Others | Total |
| Sales | **¥113,216** | **¥25,890** | **¥56,863** | **¥49,558** | **¥11,307** | **¥256,836** |

Thousands of U.S. dollars

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Japan | China | Asia | U.S.A. | Others | Total |
| Sales | **$925,049** | **$211,539** | **$464,608** | **$404,925** | **$92,387** | **$2,098,510** |

Note: Sales information is based on location of customers and it is classified by country or region.

Millions of yen

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Japan | China | Asia | U.S.A. | Others | Total |
| Sales | ¥117,381 | ¥19,928 | ¥51,009 | ¥38,912 | ¥8,669 | ¥235,902 |

Note: Sales information is based on location of customers and it is classified by country or region.

(Changes in presentation)

Sales of "China", which was included in "Asia" in the previous fiscal year, is separately presented in this fiscal year due to its increased quantitative materiality. To reflect this change in presentation, ¥70,938 million presented as "Asia" in the consolidated statement of income of the previous fiscal year has been reclassified into ¥19,928 million of "China" and ¥51,009 million of "Asia".

Millions of yen

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Japan | Asia | U.S.A. | Others | Total |
| Property, plant and equipment | **¥59,637** | **¥9,585** | **¥20,287** | **¥713** | **¥90,224** |

Thousands of U.S. dollars

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Japan | Asia | U.S.A. | Others | Total |
| Property, plant and equipment | **$487,273** | **$78,322** | **$165,763** | **$5,828** | **$737,188** |

Millions of yen

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Japan | Asia | U.S.A. | Others | Total |
| Property, plant and equipment | ¥58,385 | ¥9,850 | ¥10,912 | ¥659 | ¥79,807 |

3. Information by principal customers

Since there are no outside customers that make up more than 10% of net sales on the consolidated statement of income for the years ended March 31, 2022 and 2021, the information has been omitted.

**Information on impairment losses on non-current assets by reportable segment**

There is no disclosure applicable for the year ended March 31,2022.

Millions of yen

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Impairment loss | ¥— | ¥— | ¥— | ¥— | ¥171 |

Note: Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the segment of the enterprise is done.

**Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reportable segment**

Millions of yen

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Unamortized amount of goodwill | **¥—** | **¥—** | **¥—** | **¥—** | **¥16,958** |

Thousands of U.S. dollars

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Unamortized amount of goodwill | **$—** | **$—** | **$—** | **$—** | **$138,558** |

Notes: i. Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in the reportable segment information section, it has been omitted.
ii. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the segment of the enterprise is done.

Millions of yen

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Unamortized amount of goodwill | ¥— | ¥— | ¥— | ¥— | ¥16,981 |

Notes: i. Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in the reportable segment information section, it has been omitted.
ii. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the segment of the enterprise is done.

**Information on gain on bargain purchase by reportable segment**

Gain on bargain purchase amounted to ¥282 million (U.S.$2,308 thousand) was recognized since the Company acquired all shares of DURAMARK PRODUCTS, INC. (Renamed to MACTAC, INC. on April 8, 2021) and consolidated as a subsidiary. Furthermore, this gain on bargain purchase was presented as extraordinary gain, which were not allocated to the reportable segment.

There is no disclosure applicable for the year ended March 31,2021.

### 23. Related Party Transactions

The Company and its consolidated subsidiaries have transactions with NP Trading Co., Ltd., a subsidiary of Nippon Paper Industries Co., Ltd. The transactions between the companies for the years ended March 31, 2022 and 2021 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| For the year | **2022** | 2021 | **2022** |
| Sales of fine & specialty paper products and converted products | **¥9,390** | 8,790 | **$76,724** |
| Purchase of stencil, chemicals and equipment | **4,135** | 3,732 | **33,787** |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| At year-end | **2022** | 2021 | **2022** |
| Trade notes and accounts receivable | **¥ —** | ¥3,369 | **$ —** |
| Trade accounts receivable | **3,221** | — | **26,322** |
| Trade notes and accounts payable | **1,642** | 1,658 | **13,421** |
| Other liabilities | **5** | 10 | **46** |

Related party transactions are carried out on an arm's length basis similar to third party transactions.

### 24. Amounts Per Share

The amounts per share of net assets and net income as of and for the years ended March 31, 2022 and 2021 were as follows:

| | Yen | | U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Net assets | **¥2,996.21** | ¥2,722.89 | **$24.48** |
| Net income (basic) | **232.12** | 157.81 | **1.90** |
| Net income (diluted) | **231.96** | 157.69 | **1.90** |

The bases for calculation were as follows:

(1) Basic and diluted net income per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Net income (basic) per share: | | | |
| Profit attributable to owners of parent | **¥16,641** | ¥11,407 | **$135,968** |
| Amount not attributable to common shareholders | **—** | — | **—** |
| Profit attributable to owners of parent attributable to common shares | **¥16,641** | ¥11,407 | **135,968** |
| Weighted-average number of common shares issued during the year (thousand) | **71,691** | 72,283 | **71,691** |
| Net income (diluted) per share: | | | |
| Adjustment of profit attributable to owners of parent related to dilutive securities | **¥ —** | ¥ — | **$ —** |
| Adjustment of dilutive securities (thousand) | **49** | 56 | **49** |
| [Share subscription rights (thousand)] | **[49]** | [56] | **[49]** |

(2) Net assets per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2022** | 2021 | **2022** |
| Total net assets | **¥209,758** | ¥197,350 | **$1,713,849** |
| Amount deducted from total net assets | **545** | 502 | **4,458** |
| [Share subscription rights] | **[93]** | [99] | **[767]** |
| [Non-controlling interests] | **[451]** | [403] | **[3,690]** |
| Net assets attributable to common shares | **¥209,212** | ¥196,847 | **$1,709,391** |
| Number of shares of common stock outstanding used in calculation of net assets per share (thousand) | **69,825** | 72,293 | **69,825** |

### 25. Short-Term loans payable, Long-Term loans payable and Other Interest-Bearing Debts

Short-term and long-term loans payable as of March 31, 2022 and 2021 consisted of the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2022** | 2021 | **Average interest rate** | **2022** |
| Short-term loans payable | **¥1,292** | ¥1,516 | **0.6%** | **$10,561** |
| Current portion of long-term loans payable | **1,346** | 1,217 | **1.9%** | **11,000** |
| Long-term loans payable | **1,468** | 2,546 | **1.8%** | **12,000** |
| | **¥4,107** | ¥5,280 | **—** | **$33,561** |

Note: "Average interest rate" indicates the weighted average interest rate for the closing balance of loans payable as of March 31, 2022.

Other interest-bearing debts as of March 31, 2022 and 2021 consisted of the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2022** | 2021 | **Average interest rate** | **2022** |
| Short-term lease obligation | **¥ 987** | ¥ 597 | **1.4%** | **$ 8,072** |
| Long-term lease obligation | **1,926** | 1,142 | **1.4%** | **15,742** |

Notes: i. "Average interest rate" indicates the weighted average interest rate for the closing balance of lease obligations as of March 31, 2022.
ii. In lease obligations, "Average interest rate" corresponding to finance leases (that transfers no title to lessee) are not provided because the lease obligations in the consolidated balance sheet represent the amounts before deduction of interest equivalents from total lease payments. Besides, "Average interest rate" for lease obligations presented the above indicates the weighted average interest rate for Right-of-use assets' transactions.

Planned repayment amounts after the balance sheet date (March 31, 2022) for long-term loans payable and lease obligation are as follows:

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | **2022** |
| | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years |
| Long-term loans payable | **¥1,468** | **¥ —** | **¥ —** | **¥ —** | **$12,000** | **$ —** | **$ —** | **$ —** |
| Lease obligation | **794** | **465** | **240** | **183** | **6,494** | **3,805** | **1,967** | **1,502** |

### 26. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the board of directors held on May 9, 2022.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | **2022** |
| Cash dividends (¥49 per share) | **¥3,421** | **$27,955** |

# Management's Report on Internal Control over Financial Reporting

### Basic Framework of Internal Control over Financial Reporting

Makoto Hattori, Representative Director, President, CEO and COO of LINTEC Corporation, and Yoichi Shibano, Director, Senior Executive Officer and CFO of LINTEC Corporation, are responsible for designing and operating adequate internal control over financial reporting for the consolidated financial statements of LINTEC Corporation (the "Company") and its consolidated subsidiaries in accordance with the basic framework set forth in the "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" issued by the Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Internal control over financial reporting for the consolidated financial statements may not completely prevent or detect misstatements in financial reporting.

### Scope of Assessment, Assessment Date and Assessment Procedures

We assessed the effectiveness of internal control over financial reporting for the consolidated financial statements as of March 31, 2022 in accordance with the standards for assessment of internal control over financial reporting generally accepted in Japan. For this assessment, we first evaluated the company-level controls which would have a material impact on the reliability of overall financial reporting on a consolidated basis. We then selected the process-level controls to be assessed based on the results of the company-level control assessment. For the process-level control assessment, we evaluated the effectiveness of internal control by analyzing processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

We determined the scope of assessment by selecting consolidated subsidiaries based on their materiality of impact on the reliability of financial reporting. We determined their materiality of impact by considering both quantitative and qualitative aspects. The scope of our process-level control assessment was determined based on the results of our assessment of company-level controls, which included the Company and its 21 consolidated subsidiaries. We excluded 21 consolidated subsidiaries from the scope of the company-level control assessment since their quantitative and qualitative impacts were deemed insignificant.

For the purpose of determining the scope of process-level controls assessment, we selected two business locations as "Significant Business Locations," which contributed approximately two thirds of the Company's net sales on a consolidated basis for the fiscal year ended March 31, 2021. For the Significant Business Locations, we primarily included business processes related to sales, accounts receivable, and inventory in the scope of assessment as the aforementioned accounts were closely associated with the Company's business objectives. In addition, we included certain business processes in the scope of assessment not only from "Significant Business Locations" but also from all subsidiaries and affiliates, which were related to significant accounts involving estimates and management's judgment or include high-risk operations and/or transactions, as "business processes with a material impact on financial reporting."

### Assessment Result

Based on the results of our assessment with the above-mentioned scope, date and procedures, we concluded that Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2022 was effective.

# Report of Independent Auditors

## Independent Auditor's Report

The Board of Directors
LINTEC Corporation

**Report on the Audit of the Consolidated Financial Statements**
**Opinion**
We have audited the accompanying consolidated financial statements of LINTEC Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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

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

| **Valuation of MACtac Americas, LLC's goodwill** | |
|---|---|
| Description of Key Audit Matter | Auditor's Response |
| The Company recorded goodwill amounted to ¥16,958 million on the consolidated financial statements as at March 31, 2022. This was mainly composed of the goodwill recognized in relation to the acquisition of MACtac Americas, LLC in December 2016, whose carrying amount was ¥15,538 million, approximately 5.1% of the Company's consolidated total assets.<br><br>MACtac Americas, LLC has adopted an accounting alternative for the subsequent measurement of goodwill which is allowed for private companies under US GAAP. Under these rules, in evaluating goodwill, MACtac Americas, LLC assesses whether there is any triggering event that goodwill may be impaired. This assessment was made mainly based on the assessment of macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance.<br><br>Due to significant management judgement in assessing the existence of triggering events for impairment , we determined that the valuation of goodwill is a key audit matter. | We instructed the component auditor of MACtac Americas, LLC to perform audit on valuation of goodwill, obtained the report of audit results including the following procedures performed, and evaluated the sufficiency and appropriateness of audit evidence obtained:<br>• to assess the macroeconomic conditions by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data.<br>• to assess the industry and market considerations by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data.<br>• to assess the cost factors by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data.<br>• to assess the overall financial performance by evaluating the consistency of the underlying business plan with actual results and comparing the current year financial results with prior year. |

**Other Information**
The other information comprises the information included in the Consolidated Financial Statements that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon.
We have concluded that the other information did not exist. Accordingly, we have not performed any work related to other information.

**Responsibilities of Management, Audit and Supervisory Committee for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
Audit and Supervisory Committee is responsible for overseeing 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with the Audit and Supervisory Committee, 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 Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

**Report on the Audit of the Management's Report on Internal Control over Financial Reporting**

**Opinion**

We also have audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as at March 31, 2022 of LINTEC Corporation and its consolidated subsidiaries (the Group) (the "Management's Report").

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting for the consolidated financial statements as at March 31, 2022 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Management's Report 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.

**Responsibilities of Management, Audit and Supervisory Committee for the Management's Report**

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Audit and Supervisory Committee is responsible for overseeing and verifying the design and operating of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

**Auditor's Responsibilities for the Audit of the Management's Report**

Our objectives are to obtain reasonable assurance about whether the Management's Report is free from material misstatement and to issue an auditor's report that includes our opinion.

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

- Perform audit procedures to obtain audit evidence about conclusions of management's assessment of internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the degree of impact on the reliability of financial reporting.
- Examine the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.
- Obtain sufficient appropriate audit evidence regarding conclusions of management's assessment of internal control over financial reporting in the Management's Report. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and any material weakness in internal control that we identify as a result of the audit and its remediation conclusions.

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 22, 2022

谷口　公一

Designated Engagement Partner
Certified Public Accountant

河村　　剛

Designated Engagement Partner
Certified Public Accountant