

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

Consolidated Financial Statements

March 31, 2022

F-TECH INC.

19, Showanuma, Shobu-cho, Kuki City, Saitama, JAPAN

Consolidated financial statements, etc.

(1) Consolidated financial statements

i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,708	1,981
Notes and accounts receivable - trade	31,578	-
Notes receivable - trade	-	497
Accounts receivable - trade	-	35,830
Merchandise and finished goods	6,547	8,754
Work in process	4,351	7,500
Raw materials and supplies	8,743	11,775
Other	2,744	3,384
Total current assets	57,673	69,723
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,147	18,352
Machinery, equipment and vehicles, net	32,880	36,467
Dies and tools, net	1,726	1,926
Land	5,859	5,899
Leased assets, net	238	477
Construction in progress	9,034	15,570
Other, net	3,125	2,672
Total property, plant and equipment	*1 70,012	*1 81,366
Intangible assets		
Software	282	254
Right of using facilities	37	45
Total intangible assets	320	299
Investments and other assets		
Investment securities	*2 6,995	*2 7,412
Retirement benefit asset	75	56
Deferred tax assets	1,025	1,485
Other	611	588
Total investments and other assets	8,708	9,542
Total non-current assets	79,041	91,208
Total assets	136,714	160,931

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,772	22,966
Short-term loans payable	*3 20,872	*3 36,540
Current portion of long-term loans payable	9,884	10,244
Lease obligations	472	574
Income taxes payable	658	652
Accounts payable - other	3,425	3,179
Notes payable - facilities	44	140
Provision for directors' bonuses	31	44
Other	4,241	*4 4,477
Total current liabilities	59,401	78,819
Non-current liabilities		
Long-term loans payable	16,943	16,735
Lease obligations	1,390	772
Deferred tax liabilities	2,771	2,759
Provision for directors' retirement benefits	57	51
Net defined benefit liability	791	919
Negative goodwill	44	39
Other	282	255
Total non-current liabilities	22,280	21,533
Total liabilities	81,682	100,353
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	6,733	6,733
Retained earnings	26,559	26,619
Treasury shares	(64)	(62)
Total shareholders' equity	40,019	40,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	490	518
Foreign currency translation adjustment	(333)	4,498
Remeasurements of defined benefit plans	128	7
Total accumulated other comprehensive income	286	5,025
Non-controlling interests	14,726	15,472
Total net assets	55,032	60,578
Total liabilities and net assets	136,714	160,931

ii) Consolidated statements of income and comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	183,647	*1 191,892
Cost of sales	*3 166,616	*2, *3 176,290
Gross profit	17,030	15,601
Selling, general and administrative expenses	*4, *5 13,958	*2, *4, *5 14,458
Operating profit	3,072	1,142
Non-operating income		
Interest income	51	64
Dividend income	40	60
Share of profit of entities accounted for using equity method	152	200
Foreign exchange gains	–	409
Other	196	254
Total non-operating income	440	988
Non-operating expenses		
Interest expenses	806	792
Foreign exchange losses	264	–
Other	59	46
Total non-operating expenses	1,129	838
Ordinary profit	2,383	1,292
Extraordinary income		
Gain on sales of non-current assets	*6 15	*6 86
Gain on sales of investment securities	6	7
Subsidy income	1,838	–
Gain on cancellation of leases	–	71
Total extraordinary income	1,860	166
Extraordinary losses		
Loss on sales of non-current assets	*7 20	*7 23
Loss on retirement of non-current assets	*8 67	*8 87
Loss attributable to the novel coronavirus	2,830	–
Total extraordinary losses	2,919	111
Profit before income taxes	1,324	1,347
Income taxes - current	2,068	1,822
Income taxes - deferred	240	(754)
Total income taxes	2,309	1,068
Profit (loss)	(984)	279
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	(1,165)	209
Profit attributable to non-controlling interests	180	70
Other comprehensive income		
Valuation difference on available-for-sale securities	267	46
Foreign currency translation adjustment	2,195	6,375
Remeasurements of defined benefit plans, net of tax	419	(101)
Share of other comprehensive income of entities accounted for using equity method	63	65
Total other comprehensive income	*9 2,945	*9 6,385
Comprehensive income	1,961	6,665
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	899	4,948
Comprehensive income attributable to non-controlling interests	1,061	1,717

iii) Consolidated statements of changes in net assets
Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,790	7,230	27,912	(18)	41,914
Changes of items during period					
Dividends of surplus			(187)		(187)
Profit (loss) attributable to owners of parent			(1,165)		(1,165)
Purchase of treasury shares				(45)	(45)
Disposal of treasury shares					-
Capital increase of consolidated subsidiaries		(494)			(494)
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders		(2)			(2)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(497)	(1,352)	(45)	(1,895)
Balance at end of period	6,790	6,733	26,559	(64)	40,019

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	174	(1,657)	(295)	(1,778)	14,156	54,292
Changes of items during period						
Dividends of surplus						(187)
Profit (loss) attributable to owners of parent						(1,165)
Purchase of treasury shares						(45)
Disposal of treasury shares						-
Capital increase of consolidated subsidiaries						(494)
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						(2)
Net changes of items other than shareholders' equity	316	1,324	423	2,064	570	2,634
Total changes of items during period	316	1,324	423	2,064	570	739
Balance at end of period	490	(333)	128	286	14,726	55,032

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,790	6,733	26,559	(64)	40,019
Changes of items during period					
Dividends of surplus			(149)		(149)
Profit (loss) attributable to owners of parent			209		209
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		1	2
Capital increase of consolidated subsidiaries					-
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	59	1	62
Balance at end of period	6,790	6,733	26,619	(62)	40,081

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	490	(333)	128	286	14,726	55,032
Changes of items during period						
Dividends of surplus						(149)
Profit (loss) attributable to owners of parent						209
Purchase of treasury shares						(0)
Disposal of treasury shares						2
Capital increase of consolidated subsidiaries						-
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						-
Net changes of items other than shareholders' equity	27	4,832	(121)	4,738	745	5,484
Total changes of items during period	27	4,832	(121)	4,738	745	5,546
Balance at end of period	518	4,498	7	5,025	15,472	60,578

iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,324	1,347
Depreciation	10,032	10,581
Amortization of goodwill	(5)	(5)
Loss (gain) on sales of investment securities	(6)	(7)
Increase (decrease) in assets and liabilities related to retirement benefits	229	27
Increase (decrease) in provision for directors' retirement benefits	(69)	(5)
Increase (decrease) in provision for directors' bonuses	(46)	13
Interest and dividend income	(92)	(124)
Interest expenses	806	792
Foreign exchange losses (gains)	8	(839)
Share of loss (profit) of entities accounted for using equity method	(152)	(200)
Loss (gain) on sales of property, plant and equipment	5	(63)
Loss on retirement of property, plant and equipment	67	87
Decrease (increase) in notes and accounts receivable - trade	(2,477)	(1,202)
Decrease (increase) in inventories	43	(5,957)
Increase (decrease) in notes and accounts payable - trade	1,667	971
Decrease (increase) in accounts receivable - other	(119)	(570)
Other, net	1,040	(710)
Subtotal	12,256	4,134
Interest and dividend income received	121	146
Interest expenses paid	(811)	(798)
Income taxes paid	(1,609)	(1,688)
Net cash provided by (used in) operating activities	9,956	1,794
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,225)	(15,906)
Proceeds from sales of property, plant and equipment	33	348
Purchase of intangible assets	(73)	(43)
Purchase of investment securities	(477)	(41)
Proceeds from sales of investment securities	10	35
Other, net	5	(33)
Net cash provided by (used in) investing activities	(10,726)	(15,641)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	90	13,359
Proceeds from long-term loans payable	7,233	9,948
Repayments of long-term loans payable	(9,778)	(10,745)
Purchase of treasury shares	(45)	(0)
Repayments of installment payables	(143)	–
Cash dividends paid	(187)	(149)
Repayments to non-controlling shareholders	(83)	–
Dividends paid to non-controlling interests	(815)	(958)
Repayments of lease obligations	(633)	(585)
Proceeds from sales of treasury shares	–	2
Other, net	–	694
Net cash provided by (used in) financing activities	(4,363)	11,566
Effect of exchange rate change on cash and cash equivalents	(37)	552
Net increase (decrease) in cash and cash equivalents	(5,170)	(1,727)
Cash and cash equivalents at beginning of period	8,879	3,708
Cash and cash equivalents at end of period	*1 3,708	*1 1,981

Notes to consolidated financial statements

Basis of presentation and significant accounting policies for preparation of consolidated financial statements

1. Basis of presentation of consolidated financial statements

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

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

2. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 16

Fukuda Engineering Co., Ltd.

Kyushu F.tech Inc.

Reterra Inc.

F&P Mfg., Inc.

F&P America Mfg., Inc.

F.tech R&D North America Inc.

F&P MFG. DE MEXICO S.A. DE C.V.

F.E.G. DE QUERETARO, S.A. DE C.V.

F.tech Zhongshan Inc.

F.tech Wuhan Inc.

F.tech R&D (Guangzhou) Inc.

Yantai Fuyan Mould Co., Ltd.

F.tech Philippines Mfg., Inc.

F.tech R&D Philippines Inc.

F.tech Mfg. (Thailand) Ltd.

PT. F.tech INDONESIA

(2) Number of non-consolidated subsidiaries: Two

Laguna Greenland Corp.

F.tech Automotive Components Private Limited

Reason for exclusion from scope of consolidation

The non-consolidated subsidiaries are small in scale and the amounts of their total assets, net sales, profit (loss) (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and other financial statement items do not have a significant impact on the Company’s consolidated financial statements.

3. Disclosure about application of equity method

(1) Non-consolidated subsidiaries accounted for using the equity method

Not applicable.

- (2) Number of associates accounted for using the equity method: Five

Johnan Manufacturing Inc.
JOHNAN AMERICA, Inc.
JOHNAN F.TECH (THAILAND) LTD.
JOHNAN DE MEXICO, S.A. DE C.V.
VEEGEE Auto Components Private Limited

- (3) Number of non-consolidated subsidiaries not accounted for using the equity method: Two

Laguna Greenland Corp.
F.tech Automotive Components Private Limited

Number of associates not accounted for using the equity method: Six

Progressive Tools & Components Pvt Ltd.
JOHNAN UK LTD.
PT. JFD INDONESIA
JOHNAN WUHAN INC.
Johnan Kyushu Manufacturing Inc.
Johnan Foshan Inc.

Reason for exclusion from scope of equity method

The non-consolidated subsidiaries and associates that are not accounted for using the equity method are excluded from the application of the equity method since such exclusion has no significant impact on the Company's consolidated financial statements in terms of profit (loss) (for the Company's equity interest), retained earnings (for the Company's equity interest) and other financial statement items, and overall they are of minor significance.

- (4) The fiscal year ends of certain companies accounted for using the equity method are different from the consolidated fiscal year end. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end.

4. Disclosure about fiscal years, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year end of F.tech Philippines Mfg., Inc. and F.tech R&D Philippines Inc. is January 31 and the fiscal year end of F.E.G. DE QUERETARO, S.A. DE C.V., F.tech Zhongshan Inc., F.tech Wuhan Inc., Yantai Fuyan Mould Co., Ltd., F.tech R&D (Guangzhou) Inc., F&P MFG. DE MEXICO S.A. DE C.V. and PT. F.tech INDONESIA is December 31.

In the preparation of the consolidated financial statements, the financial statements as of the fiscal year ends of the respective subsidiaries are used. However, for major transactions that occurred between these fiscal year ends and the consolidated fiscal year end, necessary adjustments are made in the consolidated financial statements.

5. Disclosure of accounting policies

- (1) Accounting policy for measuring significant assets

- i) Securities

Available-for-sale securities (other securities)

Securities other than shares, etc. that do not have a market price

Stated at fair value based on market prices on the closing date of the accounting period.

(Valuation difference is stated as a component of net assets in the consolidated balance sheets, the cost of securities sold is calculated applying the moving-average method.)

Shares, etc. that do not have a market price

Stated at cost determined by the moving-average method.

ii) Derivatives

Stated at fair value.

iii) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated at cost determined by the average cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability). Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market, determined by the first-in, first-out method.

(2) Accounting policy for depreciation of significant assets

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

Depreciated by the straight-line method.

ii) Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software (for internal use) is amortized by the straight-line method over the usable period in the Company (five years).

iii) Leased assets

Leased assets relating to finance lease transactions that do not transfer ownership are depreciated by the straight-line method assuming the lease periods as useful lives without residual value.

Right-of-use assets are depreciated by the straight-line method over the shorter of the useful life of the asset or lease term.

(3) Accounting policy for significant provisions

i) Allowance for doubtful accounts

To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables.

ii) Provision for directors' retirement benefits

At some consolidated subsidiaries, to prepare for the payment of directors' retirement benefits, the amount to be paid at the fiscal year end, based on the internal rules for directors' retirement benefits, is provided.

iii) Provision for directors' bonuses

To prepare for the payment of directors' bonuses, the amount expected to be paid at the current fiscal year end is provided.

(4) Accounting method of retirement benefits

i) Methods of attributing estimated retirement benefits to accounting periods

When calculating retirement benefit obligations, the benefit formula method is used to attribute estimated benefit amounts to periods of service until the fiscal year end.

ii) Amortization of actuarial gains and losses

Actuarial gains and losses are amortized beginning in the following fiscal years by the straight-line method over a period which is equal to or less than the average remaining service period of employees (mainly five years) at the time of occurrence.

iii) Application of simplified method for small businesses

In calculating net defined benefit liability, certain consolidated subsidiaries apply the simplified method in which the net defined benefit liability and retirement benefit costs are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

(5) Accounting policy for significant revenues and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries (the “Group”) and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

i) Sale of finished goods

The Group mainly engages in the manufacture and sale of auto parts, dies and facilities. The Group’s main performance obligations are the sale of finished goods to customers.

In the domestic transactions of finished goods, the Group recognizes revenue at the time when a finished good is delivered to a customer as the Group satisfies a performance obligation by transferring control of the good to the customer. In export transactions, the Group recognizes revenue at the time when the Group deems that it satisfies a performance obligation by transferring the risks borne and control of a finished good to a customer based on the terms and conditions of trade set forth in a contract with the customer. The Group receives consideration for transactions generally within three months after satisfying performance obligations, and the Group’s contracts with customers do not contain a significant financing component.

ii) Provision of other offerings

The Group provides technical support services related to the manufacture of auto parts.

The Group recognizes revenue from the provision of technical support services over the time the services are rendered because they are routine or recurring services in which the receipt and simultaneous consumption by a customer of the benefits of the Group’s performance of obligations in a contract with the customer can be readily identified. The Group receives consideration for transactions related to the provision of technical support services generally in stages by measuring its progress toward complete satisfaction of that performance obligation based on contract terms.

In buy-sell transactions with repurchase obligation, the Group recognizes ending inventory of supplied articles remaining at fee-paying suppliers as work in process, and recognizes consideration received from the fee-paying suppliers as financial liabilities.

(6) Translation basis of significant assets and liabilities denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the consolidated fiscal year end, and the translation adjustment is recognized in the consolidated statements of income. Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the spot exchange rates as of the fiscal year end, and revenues and expenses of foreign consolidated subsidiaries are translated into Japanese yen at the average exchange rates. Translation adjustments are included in foreign currency translation adjustment and non-controlling interests in net assets in the consolidated balance sheets.

(7) Accounting policy for goodwill

All goodwill and the portion of negative goodwill that was recognized on or before March 31, 2010, have been amortized by the straight-line method over periods not exceeding 20 years based on the estimated period during which their effect will be recognized for each investment.

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

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

Significant accounting estimates

The Company calculates reasonable monetary amounts for significant accounting estimates based on the information available at the time of preparing the consolidated financial statements. Of the amounts reported as accounting estimates in the consolidated financial statements for the current fiscal year, the following items have the risk of having a significant impact on the consolidated financial statements for the following fiscal year:

Fiscal year ended March 31, 2021

1. Impairment test of non-current assets at F&P America Mfg., Inc.'s Ohio factory

(1) Amount recorded in the consolidated financial statements

Given that the Ohio factory of F&P America Mfg., Inc. ("F&P America"), the Company's consolidated subsidiary in the North America segment, continued to post operating losses for reasons, such as the impact of COVID-19, the Company determined that there was an indication of impairment. Accordingly, after examining whether to recognize an impairment loss, an impairment loss was not recognized since the fair value of the asset group exceeded the carrying amount of non-current assets (9,428 million yen).

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group's business assets are grouped by the categories for management accounting.

F&P America applies US GAAP and non-current assets are grouped by factory as the smallest cash-generating unit. If an indication of impairment is identified and the total estimated undiscounted cash flows from an asset group are expected to fall below the carrying amount of the asset group and the fair value of the asset group is expected to be lower than its carrying amount, the difference between the carrying amount and fair value is recognized as an impairment loss.

As an indication of impairment was identified at F&P America's Ohio factory, the Company compared the asset group's fair value to its carrying amount. The market approach is mainly used in calculating the fair value of the asset. If the fair value fluctuates, it may significantly affect the determination of whether to recognize an impairment loss and the amount thereof.

2. Impairment test of non-current assets at F.tech Mfg. (Thailand) Ltd.

(1) Amount recorded in the consolidated financial statements

As F.tech Mfg. (Thailand) Ltd. ("FMTL"), the Company's consolidated subsidiary in the Asia segment, saw earnings decline significantly more than expected for reasons, such as the impact of COVID-19, the Company determined that there was an indication of impairment. Accordingly, after examining whether to recognize an impairment loss, an impairment loss was not recognized since the present value of the future cash flows expected to be derived from the cash-generating unit ("value in use") exceeded the carrying amount of non-current assets (2,755 million yen).

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group's business assets are grouped by the categories for management accounting.

FMTL applies IFRS and deems its factory as a whole as the smallest cash-generating unit. If an indication of impairment is identified and the cash-generating unit's recoverable amount is expected to fall below its carrying amount, the difference between the two is recognized as an impairment loss.

As an indication of impairment was identified at FMTL, the Company compared the cash-generating unit's recoverable amount to its carrying amount. The recoverable amount is based on the value in use, which is estimated as the present value of future cash flows expected to be derived from the cash-generating unit, calculated by applying a pre-tax discount rate to estimated cash flows based on earnings forecasts and business plans approved by the board of directors. The management's judgment concerning these may have a significant impact on estimated future cash flows.

3. Recoverability of deferred tax assets at F-TECH INC.

(1) Amount recorded in the consolidated financial statements

After offsetting deferred tax assets of 235 million yen recorded as a recoverable component for deductible temporary differences with deferred tax liabilities of 199 million yen for taxable temporary differences, a net of 35 million yen was recorded in the consolidated balance sheets. Further, a valuation allowance of 3,077 million yen was deducted from deferred tax assets totaling 3,312 million yen for deductible temporary differences and tax loss carried forward.

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

Deferred tax assets are recognized for all deductible temporary differences and tax loss carried forward to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the recoverability of deferred tax assets, the amount of deferred tax assets to be recorded is calculated according to the company classification specified in “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26).

Future taxable income to be used in determining the recoverability of deferred tax assets is estimated based on the Company’s medium-term management plan. In estimating the amount, the Company took into account external factors, including the business environment, as well as the Company’s expected future volume of sales to its main customers and their downward risk, after collecting information on the expected future volume of sales at its main customers. The management’s judgment concerning these may have a significant impact on the recoverability of deferred tax assets.

Fiscal year ended March 31, 2022

1. Impairment test of non-current assets at F&P America Mfg., Inc.’s Ohio factory

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

Given that the Ohio factory of F&P America, the Company’s consolidated subsidiary in the North America segment, continued to post operating losses for the reasons of the impact of COVID-19 and the disruption of supply chains due to shortage of semiconductors and other factors, the Company identified an indication of impairment. As a result of examining whether to recognize an impairment loss of non-current assets at F&P America’s Ohio factory, the total estimated undiscounted cash flows from the asset group are expected to fall below the carrying amount of the asset group; however, the fair value of the asset group calculated with the help of an external expert exceeded the carrying amount of 11,530 million yen. The Company, therefore, did not recognize an impairment loss.

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group’s business assets are grouped by the categories for management accounting.

F&P America applies US GAAP and non-current assets are grouped by factory as the smallest cash-generating unit. If an indication of impairment is identified in an asset group, and the total estimated undiscounted cash flows from the asset group are expected to fall below the carrying amount of the asset group and the fair value of the asset group is expected to be lower than its carrying amount, the difference between the fair value and carrying amount is recognized as an impairment loss.

As an indication of impairment was identified at F&P America’s Ohio factory, the Company compared the asset group’s fair value to its carrying amount since the total estimated undiscounted cash flows from the asset group are expected to fall below its carrying amount. The market approach is mainly used in calculating the fair value of the asset. If the fair value fluctuates, it may significantly affect the determination of whether to recognize an impairment loss and the amount thereof.

2. Impairment test of non-current assets at F.tech Philippines Mfg., Inc.

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

As F.tech Philippines Mfg., Inc. (“FPMI”), the Company’s consolidated subsidiary in the Asia segment,

saw earnings decline significantly more than expected for the reasons of production cuts of major customers resulting from the impact of COVID-19 and the disruption of supply chains due to shortage of semiconductors and other factors, as well as soaring transportation and other costs, the Company determined that there was an indication of impairment. Accordingly, after examining whether to recognize an impairment loss, an impairment loss was not recognized since the value in use exceeded the carrying amount of non-current assets, etc. (1,616 million yen).

- (2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group's business assets are grouped by the categories for management accounting.

FPMI applies IFRS and deems its factory as a whole as the smallest cash-generating unit. If an indication of impairment is identified and the cash-generating unit's recoverable amount is expected to fall below its carrying amount, the difference between the two is recognized as an impairment loss.

As an indication of impairment was identified at FPMI, the Company compared the cash-generating unit's recoverable amount to its carrying amount. The recoverable amount is based on the value in use, which is estimated as the present value of future cash flows expected to be derived from the cash-generating unit, calculated by applying a pre-tax discount rate to estimated cash flows based on earnings forecasts and business plans approved by the board of directors. The management's judgment concerning these may have a significant impact on estimated future cash flows.

3. Recoverability of deferred tax assets at F-TECH INC.

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

The balance of deferred tax assets recorded in the consolidated balance sheet for the current fiscal year is 1,485 million yen, which includes deferred tax assets of 132 million yen recorded at the Company.

The amount of the deferred tax assets before being offset by deferred tax liabilities was 349 million yen. A valuation allowance of 2,480 million yen was deducted from deferred tax assets totaling 2,830 million yen for deductible temporary differences and tax loss carried forward.

- (2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

Deferred tax assets are recognized for all deductible temporary differences and tax loss carried forward to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the recoverability of deferred tax assets, the amount of deferred tax assets to be recorded is calculated according to the company classification specified in "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

Future taxable income to be used in determining the recoverability of deferred tax assets is estimated based on the Company's earnings forecasts drawn up by the management. This estimate that reflects external factors, including the business environment, contains the Company's expected future volume of sales to its main customers and the downward risk of the earnings forecasts. The management's judgment concerning these may have a significant impact on the recoverability of deferred tax assets.

Changes in accounting policies

Accounting Standard for Revenue Recognition

The Company and its domestic consolidated subsidiaries applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard") and other standards from the start of the current fiscal year, and revenue is recognized at an amount that is expected to be received in exchange for promised goods or services when control of the goods or services transfers to the customer.

As a result of the application, accounting treatment for some buy-sell transactions with repurchase obligation has been changed, thereby such transactions are recognized as financial transactions, and ending inventory of supplied articles remaining at fee-paying suppliers are recognized as "Work in process," and consideration received from the fee-paying suppliers are recognized as financial liabilities.

In the application of the Revenue Recognition Accounting Standard and other standards, the Company and its domestic consolidated subsidiaries elected to apply the transitional measures set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, thereby the cumulative effect of retrospectively applying the new accounting standards for the periods prior to the start of the current fiscal year is added to or subtracted from retained earnings at the start of the current fiscal year, and the new accounting standards are applied from the balance at the start of the period.

Due to the application of the Revenue Recognition Accounting Standard and other standards, “Other” presented under “Current assets” in the consolidated balance sheets for the previous fiscal year is partially included in “Work in process” from the current fiscal year, and “Notes and accounts payable - trade” presented under “Current liabilities” in the consolidated balance sheets for the previous fiscal year are partially presented as “Other.” In addition, some transactions which were accounted for as a minus in “Cost of sales” in the consolidated statements of income for the previous fiscal year, have been included in “Net sales.” However, pursuant to the transitional measures set forth in the Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification was made to the figures for the previous fiscal year in accordance with the new presentation methods.

As a result of this change, compared with the figures before the application of the Revenue Recognition Accounting Standard and other standards, net sales and cost of sales both increased by 709 million yen in the consolidated statements of income for the current fiscal year.

The impact of this change on the consolidated statements of cash flows for the current fiscal year is minimal. The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year; however, there is no impact on the beginning balance of retained earnings in the consolidated statements of changes in net assets.

There is no impact on net assets per share or basic earnings per share for the current fiscal year.

In addition, pursuant to the transitional measures set forth in the Paragraph 89-3 of the Revenue Recognition Accounting Standard, “Notes on revenue recognition” for the previous fiscal year are not presented.

Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Fair Value Measurement Accounting Standard”) and other standards were applied from the start of the current fiscal year, and pursuant to the transitional measures set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policies stipulated by the Fair Value Measurement Accounting Standard and other standards will be applied going forward. The application has no impact on the consolidated financial statements.

In addition, the Company and its domestic consolidated subsidiaries will include notes to the breakdown by the level of fair value of financial instruments, etc. in “Notes on financial instruments.” However, in accordance with the transitional measures provided in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous fiscal year are not presented.

New accounting standards to be applied

Foreign consolidated subsidiaries

“Leases” (US GAAP ASU 2016-02)

(1) Overview

This accounting standard requires a lessee to recognize assets and liabilities for all leases in principle, and so forth.

(2) Scheduled date of application

The accounting standard will be applied at the start of the fiscal year ending March 31, 2023.

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

The impact on the consolidated financial statements is currently under evaluation.

Changes in presentation

Consolidated balance sheets

Since the amounts of “Long-term loans receivable” and “Long-term accounts payable - other,” which were separately presented under “Investments and other assets” and “Non-current liabilities,” respectively, in the previous fiscal year, became immaterial, they have been included in “Other” of “Investments and other assets” and “Other” of “Non-current liabilities,” respectively, from the current fiscal year. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous fiscal year.

As a result, the amounts of “Long-term loans receivable” of 231 million yen and “Other” of 380 million yen, which were presented under “Investments and other assets” in the consolidated balance sheets for the previous fiscal year, have been reclassified into the amount of “Other” of 611 million yen.

In addition, the amounts of “Long-term accounts payable - other” of 99 million yen and “Other” of 183 million yen, which were presented under “Non-current liabilities,” have been reclassified into the amount of “Other” of 282 million yen.

Consolidated statements of cash flows

Since the amount of “Increase (decrease) in accounts payable - other,” which was separately presented as a component of “Cash flows from operating activities” in the previous fiscal year, became immaterial, it has been included in “Other, net” from the current fiscal year. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous fiscal year.

Since the amount of “Decrease (increase) in accounts receivable - other” in “Cash flows from operating activities” in the previous fiscal year increased its materiality, it has been separately presented as an independent component from the current fiscal year. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous fiscal year.

As a result, the amount of “Increase (decrease) in accounts payable - other” of 1,027 million yen and the amount of “Other, net” of (106 million yen) in “Cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified into the amount of “Decrease (increase) in accounts receivable - other” of (119 million yen) and the amount of “Other, net” of 1,040 million yen, respectively.

Additional information

The impacts of COVID-19 and production cuts of major customers arising from the disruption of supply chains due to shortage of semiconductors and other factors on the Group’s operating performance were estimated for the accounting purpose based on the information available at this time and on the assumption that the impacts will continue for a certain period in the fiscal year ending March 31, 2023 while it is difficult to accurately predict to what extent the disease will spread going forward or when the pandemic will end.

Because these impacts are highly uncertain, however, any changes in the assumptions above may have an impact on the Group’s financial position, operating results and cash flows in the fiscal year ending March 31, 2023.

Notes to consolidated balance sheets

*1. Accumulated depreciation of property, plant and equipment is as follows:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
	127,026	144,537

*2. Investment securities relating to non-consolidated subsidiaries and associates are as follows:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Investment securities (stocks)	5,172	5,510

*3. The Group has entered into overdraft agreements and loan commitment agreements with 15 banks to efficiently raise working capital.

Balance of unexecuted borrowings at end of period under overdraft agreements and loan commitment agreements is as follows:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Total amount of overdraft facility limit and loan commitment	55,349	61,791
Balance of borrowings outstanding	20,872	36,540
Unexecuted balance	34,476	25,251

*4. The amount of contract liabilities of "Other" is as follows:

	(Millions of yen)	
	As of March 31, 2022	
Contract liabilities	245	

Notes to consolidated statements of income and comprehensive income

*1. Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes to consolidated financial statements, Segment information, etc., Segment information, 3. Information on net sales, profit or loss, assets, liabilities, other items, and disaggregation of revenue, by reportable segment” in the consolidated financial statements.

*2. In the current fiscal year, some consolidated subsidiaries received a government subsidy to cover the cost of leave allowances, etc. during the periods when operations were suspended or shortened in response to government requests. The subsidy income is offset by relevant personnel expenses, etc. (cost of sales of 765 million yen and selling, general and administrative expenses of 17 million yen).

*3. The ending balance of inventories represents the amount after write-down of the book value in accordance with the decline in profitability and the following loss (reversal) on valuation of inventories is included in cost of sales.

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	89	2

*4. The major items of selling, general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Haulage expenses	1,931	2,236
Salaries, allowance and bonuses	4,341	4,574
Retirement benefit costs	231	153
Provision for directors' bonuses	28	44
Provision for directors' retirement benefits	14	9
Research and development expenses	2,253	2,096

*5. The total research and development expenses included in general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	2,253	2,096

*6. The breakdown of gain on sales of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Machinery, equipment and vehicles	14	7
Land	—	78
Other	0	0
Total	15	86

*7. The breakdown of loss on sales of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Machinery, equipment and vehicles	20	20
Other	0	2
Total	20	23

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

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	2	21
Machinery, equipment and vehicles	60	60
Other	4	5
Total	67	87

*9. Reclassification adjustments and tax effects relating to other comprehensive income are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	381	72
Reclassification adjustments	–	(7)
Pre-adjustment of tax effect	381	64
Tax effect amount	(113)	(18)
Valuation difference on available-for-sale securities	267	46
Foreign currency translation adjustment		
Increase (decrease) during the period	2,195	6,375
Foreign currency translation adjustment	2,195	6,375
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	164	(19)
Reclassification adjustments	256	(82)
Pre-adjustment of tax effect	420	(101)
Tax effect amount	(1)	–
Remeasurements of defined benefit plans, net of tax	419	(101)
Share of other comprehensive income of entities accounted for using equity method		
Increase (decrease) during the period	63	65
Share of other comprehensive income of entities accounted for using equity method	63	65
Total other comprehensive income	2,945	6,385

Notes to consolidated statements of changes in net assets

Fiscal year ended March 31, 2021

1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	Number of shares as of beginning of period	Number of shares increased during period	Number of shares decreased during period	Number of shares as of end of period
Issued shares				
Common shares	18,712	–	–	18,712
Total	18,712	–	–	18,712
Treasury shares				
Common shares	33	95	–	128
Total	33	95	–	128

Summary of reasons for change:

An increase of 95 thousand shares due to the purchase of treasury shares for providing stock-based compensation to directors and operating officers

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2020	Common shares	187	Retained earnings	10	March 31, 2020	June 26, 2020

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2021	Common shares	149	Retained earnings	8	March 31, 2021	June 25, 2021

Note: The total cash dividend paid based on the resolution at the Annual General Meeting of Shareholders held on June 24, 2021 includes dividends of 760,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.

Fiscal year ended March 31, 2022

1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	Number of shares as of beginning of period	Number of shares increased during period	Number of shares decreased during period	Number of shares as of end of period
Issued shares				
Common shares	18,712	–	–	18,712
Total	18,712	–	–	18,712
Treasury shares				
Common shares	128	0	3	125
Total	128	0	3	125

Summary of reasons for change:

An increase of 20 shares due to the purchase of shares less than one unit

A decrease of 3,900 shares for providing stock-based compensation to a retired officer

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2021	Common shares	149	Retained earnings	8	March 31, 2021	June 25, 2021

Note: The total cash dividend paid based on the resolution at the Annual General Meeting of Shareholders held on June 24, 2021 includes dividends of 760,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2022	Common shares	187	Retained earnings	10	March 31, 2022	June 24, 2022

Note: The total cash dividend paid based on the resolution at the Annual General Meeting of Shareholders held on June 23, 2022 includes dividends of 910,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.

Notes to consolidated statements of cash flows

*1. Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash and deposits	3,708	1,981
Cash and cash equivalents	3,708	1,981

2. Description of significant transactions not requiring use of cash or cash equivalents

Assets and liabilities associated with lease transactions newly recorded are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Lease assets	36	697
Right-of-use assets	452	184
Lease obligations	488	882

Notes on leases

As lessee

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Leased assets

Property, plant and equipment

Production facilities: Machinery and equipment

ii) Depreciation of leased assets

Depreciation of leased assets is as stated in “5. Disclosure of accounting policies, (2) Accounting policy for depreciation of significant assets” under “Basis of presentation and significant accounting policies for preparation of consolidated financial statements.”

2. Operating lease transactions

Future lease payments under non-cancellable leases of operating lease transactions

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	243	192
Due over one year	263	164
Total	506	357

Notes on financial instruments

1. Overview of financial instruments

(1) Policy on treatment of financial instruments

The Group raises necessary funds (mainly loans from banks and issuance of corporate bonds) according to the capital expenditure plan to conduct the auto parts related business consisting of the manufacture and sale of auto parts and dies, equipment, tools, etc. for these parts. The Group utilizes derivatives to hedge its exposure to risks described below and adheres to a policy of not conducting derivative transactions for speculative purposes.

(2) Financial instruments and related risks

Notes and accounts receivable - trade that are operating receivables are exposed to the credit risk of customers. Although operating receivables denominated in foreign currencies, which arise from intercompany transactions due to the globally developed businesses, are exposed to the risk of fluctuations in exchange rates, forward exchange contracts are used to hedge this risk. Investment securities are principally stocks related to business activities or capital alliances with business partners and exposed to the risk of fluctuations in market prices.

Notes and accounts payable - trade that are operating payable and accounts payable - other are due within one year. Some of these payables are denominated in foreign currencies due to import of materials, etc. and exposed to the risk of fluctuations in exchange rates, however they are within the range of the balance of accounts receivable - trade denominated in the same foreign currency on a permanent basis. Loans payable, and lease obligations on finance leases are the amounts raised principally for the purpose of funding capital expenditure; these amounts are due for repayment within up to 23 years after the current fiscal year end.

Derivative transactions are forward exchange contracts to hedge the foreign currency risk on operating receivables arising from intercompany transactions.

(3) Risk management system for financial instruments

i) Management of credit risk (customers' default risk)

For operating receivables, the Company conducts maturity management and balance management by counterparty through periodical monitoring of major business partners' status in the operation division and the management division of each department in accordance with the internal rules on sales management, and endeavors to quickly determine and mitigate any concern on the collection of receivables due to deteriorated financial conditions. Consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company's internal rules on sales management.

ii) Management of market risk (fluctuation risk of foreign currency exchange and interest rates, etc.)

The Company and some consolidated subsidiaries utilize forward exchange contracts in principle to hedge the foreign currency exchange rate fluctuation risk by currency on a monthly basis for operating receivables arising from intercompany transactions. Depending on the status of foreign exchange rates, forward exchange contracts are entered into for a maximum of 12 months in relation to operating receivables denominated in foreign currencies that are certainly expected to arise from forecast royalty transactions.

For investment securities, the Company periodically assesses market value and financial conditions of issuers (business partners).

For derivative transactions, the Company assesses the positions to conduct hedge transactions on a monthly basis under the hedge policy of the funds and foreign exchange conference, in accordance with the internal rules on foreign exchange risks which stipulate transaction authority, limit amounts and other matters. Based on this assessment, the accounting department conducts transactions, and records information on the transaction and checks balances with counterparties.

iii) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)

The Company's accounting department prepares and updates financial plans annually and monthly based on reports from each department.

(4) Supplementary explanation concerning fair values of financial instruments

As several variable factors are considered in calculation of the fair value of a financial instrument, the resulting amount may vary depending on the differences of preconditions employed. In addition, contract/notional amounts related to derivative transactions in “Notes on derivatives” do not in themselves indicate the market risk of derivative transactions.

(5) Concentration of credit risks

As of March 31, 2022, 58.4% of operating receivables were associated with major customers.

2. Fair values of financial instruments

Carrying amounts on the consolidated balance sheets, fair values and differences therebetween of the financial instruments are shown below.

As of March 31, 2021

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities			
Available-for-sale securities (other securities)	1,444	1,444	–
Total assets	1,444	1,444	–
(2) Long-term loans payable (*3)	26,828	26,873	45
(3) Lease obligations (*4)	1,862	1,677	(184)
Total liabilities	28,690	28,551	(139)
(4) Derivatives (*5)	(16)	(16)	–

(*1) “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts payable - trade,” “Accounts payable - other,” and “Short-term loans payable” are not presented because they are settled in cash within a short period of time, and thus, their fair values are approximate to their carrying amounts.

(*2) The carrying amounts on the balance sheets of financial instruments whose fair values are deemed to be extremely difficult to determine are as shown below:

(Millions of yen)

Classification	As of March 31, 2021
Non-listed shares	
Shares of subsidiaries and associates	5,172
Other	379
Total	5,551

These securities are not included in “(1) Investment securities” above because their market prices are not available, and thus, their fair values are deemed to be difficult to determine.

(*3) Current portion of long-term loans payable in current liabilities is included.

(*4) The total amount of lease obligations in current liabilities and lease obligations in non-current liabilities is presented.

(*5) Claims and obligations arising from derivative transactions are presented on a net basis.

As of March 31, 2022

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities			
Available-for-sale securities (other securities)	1,520	1,520	–
Total assets	1,520	1,520	–
(2) Long-term loans payable (*3)	26,979	26,342	(637)
(3) Lease obligations (*4)	1,347	1,270	(77)
Total liabilities	28,327	27,612	(714)
(4) Derivatives (*5)	8	8	–

(*1) “Cash and deposits,” “Notes receivable - trade,” “Accounts receivable - trade,” “Notes and accounts payable - trade,” “Accounts payable - other,” and “Short-term loans payable” are not presented because they are settled in cash within a short period of time, and thus, their fair values are approximate to their carrying amounts.

(*2) Equity and other securities without market prices are not included in “(1) Investment securities” above. The carrying

amounts on the balance sheets of these financial instruments are as shown below:

(Millions of yen)

Classification	As of March 31, 2022
Non-listed shares	
Shares of subsidiaries and associates	5,510
Other	381
Total	5,891

(*3) Current portion of long-term loans payable in current liabilities is included.

(*4) The total amount of lease obligations in current liabilities and lease obligations in non-current liabilities is presented.

(*5) Claims and obligations arising from derivative transactions are presented on a net basis.

(Notes) 1. Redemption schedule for monetary receivables after the fiscal year end

As of March 31, 2021

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	3,708	-	-	-
Notes and accounts receivable - trade	31,578	-	-	-
Total	35,286	-	-	-

As of March 31, 2022

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	1,981	-	-	-
Notes receivable - trade	497	-	-	-
Accounts receivable - trade	35,830	-	-	-
Total	38,309	-	-	-

2. Repayment schedule for long-term loans payable, lease obligations, and other interest-bearing debts after the fiscal year end

As of March 31, 2021

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Short-term loans payable	20,872	–	–	–
Long-term loans payable	9,884	16,904	39	–
Lease obligations	472	504	388	496
Total	31,228	17,408	428	496

As of March 31, 2022

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Short-term loans payable	36,540	–	–	–
Long-term loans payable	10,244	16,704	30	–
Lease obligations	574	565	44	162
Total	47,358	17,269	75	162

3. Breakdown by the level of fair values of financial instruments, etc.

The fair values of financial instruments are classified into the following three levels depending on the observability and importance of inputs used for the measurement of their fair values as follows:

Level 1: Fair values measured using quoted prices in active markets for identical assets or liabilities out of the observable inputs used for the measurement of fair values

Level 2: Fair values measured using the inputs other than those used for Level 1 out of the observable inputs used for the measurement of fair values

Level 3: Fair values measured using unobservable inputs used for the measurement of fair values

When multiple inputs that have a material impact on the measurement of fair value are used, the fair value is classified into the lowest level of the fair value hierarchy to which any of these inputs belong.

(1) Financial instruments stated at fair value in the consolidated balance sheets

As of March 31, 2022

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities (other securities)	1,520	–	–	1,520
Derivatives				
Foreign currency	–	8	–	8
Total assets	1,520	8	–	1,528

(2) Financial instruments other than the financial instruments stated at fair value in the consolidated balance sheets

As of March 31, 2022

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable (including current portion of long-term loans payable)	–	26,342	–	26,342
Lease obligations (including current portion of lease obligations)	–	1,270	–	1,270
Total liabilities	–	27,612	–	27,612

(Note) Valuation techniques and inputs used for the measurement of fair values

Investment securities

The fair values of listed shares are calculated using quoted market prices, and are classified into Level 1 because they are traded in active markets.

Derivatives

The fair values of forward exchange contracts are calculated based on the prices, etc. presented by counterparty financial institutions, and are classified into Level 2.

Long-term loans payable, lease obligations

The fair values of long-term loans payable/lease obligations are calculated by discounting the total amount of principal

and interest at the assumed interest rate of similar new borrowings/lease contracts, and are classified into Level 2.

Notes on securities

1. Available-for-sale securities (other securities)

As of March 31, 2021

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Original purchase price	Difference
Items whose carrying amount on the consolidated balance sheet exceeds original purchase price	(1) Shares	1,429	767	662
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	1,429	767	662
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	14	18	(3)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	14	18	(3)
Total		1,444	785	658

As of March 31, 2022

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Original purchase price	Difference
Items whose carrying amount on the consolidated balance sheet exceeds original purchase price	(1) Shares	1,504	781	722
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	1,504	781	722
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	16	18	(2)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	16	18	(2)
Total		1,520	799	720

2. Available-for-sale securities (other securities) sold

Fiscal year ended March 31, 2021

(Millions of yen)

Type	Sales amount	Total gain on sale	Total loss on sale
(1) Shares	10	6	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	10	6	—

Fiscal year ended March 31, 2022

(Millions of yen)

Type	Sales amount	Total gain on sale	Total loss on sale
(1) Shares	35	7	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	35	7	—

Notes on derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Foreign currency

As of March 31, 2021

(Millions of yen)

Classification	Type of transaction	As of March 31, 2021			
		Contract/notional amount	Portion of contract/notional amount over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	790	–	(16)	(16)
	Thai baht	14	–	(0)	(0)
Total		804	–	(16)	(16)

As of March 31, 2022

(Millions of yen)

Classification	Type of transaction	As of March 31, 2022			
		Contract/notional amount	Portion of contract/notional amount over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	747	–	13	13
	Thai baht	142	–	(4)	(4)
Total		890	–	8	8

(2) Interest rate

As of March 31, 2021

Not applicable.

As of March 31, 2022

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Foreign currency

As of March 31, 2021

Not applicable.

As of March 31, 2022

Not applicable.

(2) Interest rate

As of March 31, 2021

Not applicable.

As of March 31, 2022

Not applicable.

Notes on retirement benefits

1. Summary of retirement benefit plans adopted

The Company has established a constitution-based defined benefit corporate pension plan. Some domestic consolidated subsidiaries have established constitution-based defined benefit corporate pension plans and lump-sum retirement benefit plans. Some foreign consolidated subsidiaries have established defined benefit plans or the defined contribution plans.

Because the Company has participated in JMSA Welfare Pension Fund (multi-employer contributory pension plan) and cannot reasonably calculate the amount of plan assets in terms of its contributions for the plan, retirement benefit obligations for the plan are accounted for in the same manner as a defined contribution plan.

2. Defined benefit plans

(1) Reconciliation between the balance at beginning of period and the balance at end of period of retirement benefit obligations (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at beginning of period	7,156	7,320
Service cost	474	470
Interest cost	39	29
Actuarial loss (gain)	(23)	(110)
Benefits paid	(285)	(181)
Amortization of past service cost	3	—
Other	(44)	115
Balance at end of period	7,320	7,643

(2) Reconciliation between the balance at beginning of period and the balance at end of period of plan assets (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at beginning of period	6,347	6,698
Expected return on plan assets	136	123
Actuarial loss (gain)	118	(139)
Contributions paid by the employer	376	363
Benefits paid	(284)	(185)
Other	3	12
Balance at end of period	6,698	6,874

- (3) Reconciliation between the balance at beginning of period and the balance at end of period of net defined benefit liability for plans to which the simplified method was applied

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at beginning of period	95	94
Benefit costs	30	28
Benefits paid	(17)	(12)
Contributions paid by the employer	(14)	(17)
Balance at end of period	94	93

- (4) Reconciliation between the balances at end of period of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Funded retirement benefit obligations	7,168	7,300
Plan assets	(6,863)	(6,874)
	304	425
Unfunded retirement benefit obligations	411	437
Total net liability (asset) for retirement benefits	716	863
Net defined benefit liability	791	919
Net defined benefit asset	(75)	(56)
Total net liability (asset) for retirement benefits	716	863

(Note) Includes plans to which simplified methods were applied.

- (5) Retirement benefit costs

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Service cost	474	470
Interest cost	39	29
Expected return on plan assets	(136)	(123)
Net actuarial loss amortization	277	(72)
Amortization of past service cost	3	—
Retirement benefit costs calculated using simplified methods	30	28
Total	688	332

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

The breakdown of the items recorded in remeasurements of defined benefit plans, net of tax (before deducting tax effect) in the consolidated statement of income and comprehensive income is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Actuarial gains and losses	420	(101)
Total	420	(101)

(7) Remeasurements of defined benefit plans

The breakdown of the items recorded in remeasurements of defined benefit plans (before deducting tax effect) in accumulated other comprehensive income in the consolidated balance sheet is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Actuarial gains and losses that are yet to be recognized	126	25
Total	126	25

(8) Plan assets

i) Breakdown of major categories of plan assets

The ratio of major categories to total plan assets is as follows:

	As of March 31, 2021	As of March 31, 2022
Bonds	12.5%	12.0%
Equity securities	12.0	14.4
Cash and deposits	56.2	56.9
Other	19.3	16.7
Total	100.0	100.0

ii) Method to determine rate of expected long-term return

The rate of expected long-term return is determined in consideration of the present and expected asset mix and the present and expected long-term return rate on the various assets that comprise the plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculations at end of period

	As of March 31, 2021	As of March 31, 2022
Discount rate	0.1%	0.1%
Long-term expected rate of return	1.7%	1.7%
Expected rate of salary increase	3.0%	3.0%

3. Defined contribution plan

The required contribution amount to defined contribution plans (including employees' pension fund plan in multi-employer contributory pension plans which is accounted for in the same manner) was 432 million yen in the previous fiscal year and 488 million yen in the current fiscal year.

4. Multi-employer contributory pension plans

The required contribution amount to the multi-employer contributory pension plan-type defined benefit plans, which is accounted for in the same manner as a defined contribution plan, was 50 million yen for the previous fiscal year and 49 million yen for the current fiscal year.

(1) Latest funding position of the multi-employer contributory pension plans

JMSA Welfare Pension Fund	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Amount of plan assets	2,055	2,223
Amount of reserve for the purpose of pension financing calculation	1,542	1,920
Difference	513	302

(2) Ratio of the Group's members to the entire plan

JMSA Welfare Pension Fund

Previous fiscal year	18.3% (As of March 31, 2021)
Current fiscal year	18.2% (As of March 31, 2022)

(3) Supplementary explanation

The main reason for the difference in (1) above, is 168 million yen of past service liabilities for the purpose of pension financing calculation.

Under the JMSA Welfare Pension Fund, past service liabilities are amortized over one year and eight months using the equal repayment method.

The ratio in (2) above is different from the ratio of the Group's actual contributions.

Notes on share options, etc.

Not applicable.

Notes on tax effect accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by major component

	As of March 31, 2021	(Millions of yen) As of March 31, 2022
Deferred tax assets		
Tax loss carry forwards (Note 2)	3,067	3,502
Excess depreciation	846	738
Elimination of unrealized gains on non-current assets	798	976
Impairment loss	367	340
Net defined benefit liability	283	254
Accrued bonuses	270	290
Loss on valuation of inventories	176	170
Other	775	946
Deferred tax assets subtotal	6,585	7,221
Valuation allowance for tax loss carry forwards (Note 2)	(2,502)	(2,730)
Valuation allowance for the total of deductible temporary difference, etc.	(1,842)	(1,565)
Valuation allowance subtotal (Note 1)	(4,345)	(4,295)
Total deferred tax assets	2,239	2,925
Deferred tax liabilities		
Depreciation (foreign consolidated subsidiaries)	(3,562)	(3,795)
Valuation difference on available-for-sale securities	(199)	(217)
Net defined benefit asset	(17)	(17)
Other	(206)	(170)
Total deferred tax liabilities	(3,985)	(4,200)
Net deferred tax assets (liabilities)	(1,745)	(1,274)

(Notes) 1. Valuation allowance increased by 101 million yen. This increase is mainly due to an increase in valuation allowance for deductible temporary difference as a result of a decrease in taxable income at some consolidated subsidiaries.

2. Amounts of tax loss carry forwards and related deferred tax assets by expiration of carry forwards

As of March 31, 2021	(Millions of yen)						
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carry forwards (a)	424	676	281	23	187	1,473	3,067
Valuation allowance	(424)	(676)	(281)	(23)	(12)	(1,084)	(2,502)
Deferred tax assets	-	-	-	-	175	389	(b) 564

(a) Tax loss carry forwards represent the amount after being multiplied by the statutory income tax rate.

(b) For tax loss carry forwards of 3,067 million yen (amount after being multiplied by the statutory income tax rate), deferred tax assets of 564 million yen were recorded. The deferred tax assets of 564 million yen were recognized principally in relation to the balance of tax loss carry forwards for F&P America Mfg., Inc. of 1,366 million yen (amount after being multiplied by the statutory income tax rate) and that for F.tech Mfg. (Thailand) Ltd. of 175 million yen (amount after being multiplied by the statutory income tax rate). Tax loss carry forwards for which

these deferred tax assets were recorded arose due mainly to the recording of loss before income taxes in the fiscal year ended March 31, 2021. The Company has determined, based on expected future taxable income, etc., that the deferred tax assets related to the tax loss carry forwards are recoverable.

As of March 31, 2022

(Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carry forwards (a)	679	281	7	198	19	2,316	3,502
Valuation allowance	(679)	(281)	(7)	(15)	(19)	(1,726)	(2,730)
Deferred tax assets	–	–	–	182	–	589	(b)772

(a) Tax loss carry forwards represent the amount after being multiplied by the statutory income tax rate.

(b) For tax loss carry forwards of 3,502 million yen (amount after being multiplied by the statutory income tax rate), deferred tax assets of 772 million yen were recorded. The deferred tax assets of 772 million yen were recognized principally in relation to the balance of tax loss carry forwards for F&P America Mfg., Inc. of 2,204 million yen (amount after being multiplied by the statutory income tax rate) and that for F.tech Mfg. (Thailand) Ltd. of 199 million yen (amount after being multiplied by the statutory income tax rate). Tax loss carry forwards for which these deferred tax assets were recorded arose due mainly to the recording of loss before income taxes in the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022. The Company has determined, based on expected future taxable income, etc., that the deferred tax assets related to the tax loss carry forwards are recoverable.

2. Reconciliation of significant difference between statutory income tax rate and effective income tax rate after application of tax effect accounting

	As of March 31, 2021	As of March 31, 2022
Statutory income tax rate	30.1	30.1
(Adjustments)		
Change in valuation allowance	53.5	1.8
Foreign tax credit	33.7	25.2
Tax rate differences in foreign consolidated subsidiaries	12.7	15.1
Expenses not deductible permanently such as entertainment expenses	5.5	5.9
Inhabitant per capita tax	1.2	1.2
Share of profit (loss) of entities accounted for using equity method	(3.5)	(4.5)
Elimination of dividend income in consolidation	3.9	5.9
Income taxes for prior periods	22.6	(1.2)
Other	14.6	(0.4)
Effective income tax rate after application of tax effect accounting	174.4	79.2

Notes on asset retirement obligations

Not applicable.

Notes on real estate for lease, etc.

The Company and a consolidated subsidiary own rental properties and idle properties in Saitama Prefecture and other areas

In the fiscal year ended March 31, 2021, net rental revenue from the rental properties amounted to 23 million yen (rental revenue was recorded in non-operating income).

In the fiscal year ended March 31, 2022, net rental revenue from the rental properties amounted to 23 million yen (rental revenue was recorded in non-operating income).

Carrying amount on the consolidated balance sheet, increase (decrease) in the current fiscal year and fair value of these real estate properties for lease, etc. are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Carrying amount on the consolidated balance sheet		
Balance at beginning of period	681	701
Increase (decrease) during period	20	(106)
Balance at end of period	701	595
Fair value at end of period	1,004	869

- (Notes)
1. Carrying amount on the consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment loss from acquisition cost.
 2. Of the increase (decrease) during the fiscal year ended March 31, 2021, the increase was attributable mainly to foreign currency translation difference of 20 million yen. Of the increase (decrease) during the fiscal year ended March 31, 2022, the increase was attributable mainly to foreign currency translation difference of 15 million yen, while the decrease was attributable mainly to the sale of land for 121 million yen.
 3. Fair values at end of period are based on certain appraisal values and indicators that are considered to appropriately reflect market prices.

Notes on revenue recognition

1. Disaggregation of revenue from contracts with customers

The disaggregation of revenue from contracts with customers is as stated in “Notes to consolidated financial statements, Segment information, etc.”

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as provided in “5. Disclosure of accounting policies, (5) Accounting policy for significant revenues and expenses” under “Basis of presentation and significant accounting policies for preparation of consolidated financial statements.”

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenues arising from contracts with customers existing at the end of the fiscal year under review expected to be recognized in and after the next fiscal year

(1) Balance of contract liabilities, etc.

(Millions of yen)

	Fiscal year ended March 31, 2022	
	Beginning balance	Ending balance
Receivables from contracts with customers	31,578	36,327
Contract liabilities	240	245

Contract liabilities are related to advances such as deposits received from customers based on the terms of sales contracts primarily for dies and equipment. Contract liabilities are reversed upon recognition of revenue. The amount of revenue recognized in the fiscal year under review that was included in the beginning balance of contract liabilities is immaterial.

The amount of revenue recognized during the fiscal year under review from performance obligations that were satisfied (or partially satisfied) in prior fiscal years (mainly changes in transaction price) is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to and thus omitted the presentation of the transaction price allocated to the remaining performance obligations because of the absence of significant contracts whose contract term was initially expected to exceed one year. Also, the consideration promised in contracts with customers does not have any significant amounts not included in the transaction price.

Segment information, etc.

Segment information

1. Description of reportable segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess their performance.

The Company is engaged in the manufacture and sale of auto parts, etc. As of the end of the current fiscal year, four companies including the Company in Japan as well as five local corporations in North America and eight local corporations in Asia each conduct the business operations. These local corporations, which are independent management units, formulate comprehensive strategies and develop business activities in each area.

For this reason, the Company consists of regional segments based on the manufacturing and sales systems and has three reportable segments, namely Japan, North America and Asia.

2. Explanation of measurements of net sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting procedures for reportable segments are consistent with those stated in “Basis of presentation and significant accounting policies for preparation of consolidated financial statements.”

Profit of reportable segments is based on operating profit (before amortization of goodwill).

Transactions with other segments are based on prevailing market prices.

As stated in “Changes in accounting policies,” the Group has applied the Revenue Recognition Accounting Standard and other standards from the beginning of the fiscal year under review, and thus, has changed the accounting procedures for revenue recognition. Likewise, the Company has changed the method of calculating segment profit or loss for its business segments.

As a result of these changes, net sales from Japan, one of its reportable segments, increased by 709 million yen for the fiscal year ended March 31, 2022, compared with the amount calculated by the previous procedures.

3. Information on net sales, profit (loss), assets, liabilities, other items, and disaggregation of revenue, for each reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	19,692	110,405	53,549	183,647
Transactions with other segments	15,097	1,324	2,747	19,169
Total	34,789	111,729	56,297	202,816
Segment profit (loss)	299	(686)	3,993	3,606
Segment assets	64,681	67,976	42,193	174,852
Other items				
Depreciation	2,093	5,210	3,000	10,305
Investments in entities accounted for using equity method	5,036	—	—	5,036
Increase in property, plant and equipment and intangible assets	1,784	6,764	2,322	10,870

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	20,360	111,524	60,007	191,892
Transactions with other segments	17,137	1,497	2,714	21,349
Total	37,497	113,021	62,722	213,241
Segment profit (loss)	1,202	(2,802)	3,292	1,691
Segment assets	69,883	88,467	43,514	201,865
Other items				
Depreciation	1,804	6,033	3,054	10,893
Investments in entities accounted for using equity method	5,374	—	—	5,374
Increase in property, plant and equipment and intangible assets	3,353	10,893	3,225	17,472

Disaggregation of goods and services by type

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Auto parts	17,903	102,992	57,145	178,040
Dies/facilities	1,222	5,042	1,270	7,535
Other	1,233	3,489	1,592	6,315
Revenue from contracts with customers	20,360	111,524	60,007	191,892
Revenue from other sources	–	–	–	–
Net sales to external customers	20,360	111,524	60,007	191,892

Disaggregation of revenue by timing of recognition

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Goods transferred at a point in time	19,456	111,524	59,554	190,534
Services transferred over time	903	–	453	1,357
Revenue from contracts with customers	20,360	111,524	60,007	191,892
Revenue from other sources	–	–	–	–
Net sales to external customers	20,360	111,524	60,007	191,892

4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

Net sales	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segments total	202,816	213,241
Elimination of intersegment transactions	(19,169)	(21,349)
Net sales in the consolidated financial statements	183,647	191,892

(Millions of yen)

Profit	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segments total	3,606	1,691
Elimination of intersegment transactions	(534)	(548)
Operating profit in the consolidated financial statements	3,072	1,142

(Millions of yen)

Assets	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segments total	174,852	201,865
Elimination of intersegment transactions	(38,129)	(40,926)
Other adjustments	(8)	(7)
Total assets in the consolidated financial statements	136,714	160,931

(Millions of yen)

Other items	Reportable segments total		Adjustments		Amounts in the consolidated financial statements	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation	10,305	10,893	(273)	(311)	10,032	10,581
Investments in entities accounted for using equity method	5,036	5,374	–	–	5,036	5,374
Increase in property, plant and equipment and intangible assets	10,870	17,472	(860)	(820)	10,010	16,651

(Note) Adjustments of increase in property, plant and equipment and intangible assets are the effect of intersegment consolidation adjustments.

Information associated with reportable segments

Fiscal year ended March 31, 2021

1. Information by product or service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statements of income.

2. Information by geographical region

(1) Net sales (Millions of yen)

Japan	U.S.A.	Canada	China	Other	Total
19,294	68,298	30,524	45,888	19,640	183,647

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

(2) Property, plant and equipment (Millions of yen)

Japan	U.S.A.	Canada	China	Mexico	Other	Total
11,677	14,874	19,508	11,714	7,404	4,833	70,012

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	132,053	All reportable segments
General Motors Company and its group companies	20,069	All reportable segments

Fiscal year ended March 31, 2022

1. Information by product or service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statements of income.

2. Information by geographical region

(1) Net sales (Millions of yen)

Japan	U.S.A.	Canada	China	Other	Total
19,826	76,688	25,363	48,976	21,037	191,892

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

(2) Property, plant and equipment (Millions of yen)

Japan	U.S.A.	Canada	China	Mexico	Other	Total
12,482	18,787	20,106	12,887	12,152	4,950	81,366

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	126,991	All reportable segments

Disclosure of impairment loss on non-current assets for each reportable segment

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended March 31, 2021

Not applicable.

Amortization and unamortized balance of negative goodwill that arose from business combinations conducted before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	0	3	–	5
Balance at end of period	12	5	26	–	44

Fiscal year ended March 31, 2022

Not applicable.

Amortization and unamortized balance of negative goodwill that arose from business combinations conducted before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	0	3	–	5
Balance at end of period	10	4	23	–	39

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

Related parties

Fiscal year ended March 31, 2021

1. Related-party transactions

(1) Transactions between the company filing the consolidated financial statements and related parties

i) The parent company and major shareholders (limited to companies) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Major shareholder	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 13.64	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	14,116	Accounts receivable - trade	1,795
							Purchase of raw materials	7,122	Accounts payable - trade	981

(Note) Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
- (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

ii) Officers and major individual shareholders (limited to individuals) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Officer and his or her close family member	Akihide Fukuda	-	-	Executive Senior Advisor of the Company	(Owned) Direct 4.76	Advisory contract	Advisory fees	28	-	-

(Note) Advisory fees are determined based on the contract entered into through consultation between both parties after comprehensively taking into account past experience and others.

(2) Transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

i) Companies which have the same parent company as the company filing the consolidated financial statements and subsidiaries of other associates of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Subsidiary of major shareholder	Honda of America Mfg., Inc.	Ohio, U.S.A.	USD 561,568 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	26,184	Accounts receivable - trade	2,262
							Purchase of raw materials	35,191	Accounts payable - trade	2,126
Subsidiary of major shareholder	Honda Manufacturing of Alabama, LLC	Alabama, U.S.A.	USD 400,000 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	17,496	Accounts receivable - trade	1,726
Subsidiary of major shareholder	Honda Canada, Inc.	Ontario, Canada	CAD 226,090 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	24,691	Accounts receivable - trade	2,416
Subsidiary of major shareholder	Honda Automobile (Thailand) Co., Ltd.	Ayutthaya, Thailand	THB 5,460,000 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	4,009	Accounts receivable - trade	974

(Note) Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
- (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

2. Notes on the parent company or major associates

Not applicable.

Fiscal year ended March 31, 2022

1. Related-party transactions

(1) Transactions between the company filing the consolidated financial statements and related parties

i) The parent company and major shareholders (limited to companies) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Major shareholder	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 13.64	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	12,788	Accounts receivable - trade	1,812
							Purchase of raw materials	7,486	Accounts payable - trade	1,281

(Note) Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
- (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

ii) Officers and major individual shareholders (limited to individuals) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Officer and his or her close family member	Akihide Fukuda	-	-	Executive Senior Advisor of the Company	(Owned) Direct 4.76	Advisory contract	Advisory fees	30	-	-

(Note) Advisory fees are determined based on the contract entered into through consultation between both parties after comprehensively taking into account past experience and others.

- (2) Transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties
- i) Companies which have the same parent company as the company filing the consolidated financial statements and subsidiaries of other associates of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Subsidiary of major shareholder	Honda Development and Manufacturing of America, LLC	Ohio, U.S.A.	USD 561 million	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	43,242	Accounts receivable - trade	4,902
							Purchase of raw materials	32,186	Accounts payable - trade	2,137
Subsidiary of major shareholder	Honda Canada, Inc.	Ontario, Canada	CAD 226 million	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	19,053	Accounts receivable - trade	2,221

(Notes) 1. Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
- (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.
2. During the fiscal year ended March 31, 2022, Honda of America Mfg., Inc. merged Honda Manufacturing of Alabama, LLC, Honda R&D Americas, Inc. and five other companies and has changed its corporate name to Honda Development and Manufacturing of America, LLC.

2. Notes on the parent company or major associates
Not applicable.

Notes on special purpose entities subject to disclosure

Not applicable.

Per share information

(Yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	2,168.91	2,426.74
Basic earnings (loss) per share	(62.58)	11.27

(Notes) 1. Diluted basic earnings (loss) per share is not presented since no potential shares exist.

2. Since the second quarter of the fiscal year ended March 31, 2021, the Company has acquired the Company's shares through the "Officers' Stock Benefit Trust," and the shares of the Company held by the Officers' Stock Benefit Trust (60,458 shares for the fiscal year ended March 31, 2021 and 92,450 shares for the fiscal year ended March 31, 2022) are included in the number of treasury shares deducted in the calculation of the average number of shares during the period, to calculate basic earnings (loss) per share.
3. Since the second quarter of the fiscal year ended March 31, 2021, the Company has acquired the Company's shares through the "Officers' Stock Benefit Trust," and the shares of the Company held by the Officers' Stock Benefit Trust (95,100 shares for the fiscal year ended March 31, 2021 and 91,200 shares for the fiscal year ended March 31, 2022) are included in the number of treasury shares deducted from the total number of shares issued at the end of period, to calculate net assets per share.
4. Basis for calculating basic earnings (loss) per share is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	(1,165)	209
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent related to common shares (Millions of yen)	(1,165)	209
Average number of shares (Thousands of shares)	18,617	18,585

Significant subsequent event

The Company resolved at the extraordinary meeting of the Board of Directors held on March 24, 2022 to make India Steel Summit Private Limited a subsidiary by acquiring shares of the company, and thereby made it a subsidiary upon acquisition of the shares on May 31, 2022.

1. Summary of business combination

(1) Name and business description of the acquired company

Name of the company whose shares were acquired:	India Steel Summit Private Limited
Description of business:	Steel processing, press parts manufacturing, and mold manufacturing

(2) Main reason for business combination

It is aimed to demonstrate maximum superiority, having our mold business, the Company's forte, as our core in the India market where growth is expected.

(3) Date of business combination

May 31, 2022 (date of share acquisition)

(4) Legal form of business combination

Share acquisition

(5) Name of company after business combination

No change

(6) Voting right ratio to be acquired

Ratio of voting rights held right before business combination: 10%

Ratio of voting rights additionally acquired on the date of business combination: 90%

Ratio of voting rights held after business combination: 100%

(7) Grounds for determining the acquisition of the company

The Company acquires shares in consideration of cash.

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

Consideration for acquisition	Cash	INR415 million (661 million yen)
-------------------------------	------	----------------------------------

Acquisition cost		INR415 million (661 million yen)
------------------	--	----------------------------------

3. Descriptions and amounts of main acquisition-related expenses

Advisory fees, commissions, etc.: 7 million yen

4. Amount of arising goodwill, cause of arising of goodwill, method of amortization and amortization period

Not finalized at this point in time

5. Amounts of assets accepted and liabilities undertaken on the date of business combination and main breakdown thereof

Not finalized at this point in time

- v) Annexed consolidated detailed schedules
Annexed detailed schedule of corporate bonds
Not applicable.

Annexed detailed schedule of borrowings

Classification	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans payable	20,872	36,540	1.44	–
Current portion of long-term loans payable	9,884	10,244	1.48	–
Current portion of lease obligations	472	574	4.65	–
Long-term loans payable (excluding current portion)	16,943	16,735	1.21	2023–2031
Lease obligations (excluding current portion)	1,390	772	5.47	2023–2044
Total	49,562	64,867	–	–

(Notes) 1. The average interest rate is calculated using the interest rate and balance at end of period.

2. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within five years after the closing date of the accounting period are as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	8,017	5,958	2,170	557
Lease obligations	446	75	26	17

Annexed detailed schedule of asset retirement obligations

Not applicable.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2022

	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Fiscal year ended March 31, 2022
Net sales (Millions of yen)	46,557	89,049	133,787	191,892
Profit (loss) before income taxes (Millions of yen)	(165)	(1,666)	(2,651)	1,347
Profit (loss) attributable to owners of parent (Millions of yen)	(703)	(2,340)	(3,156)	209
Basic earnings (loss) per share (Yen)	(37.85)	(125.94)	(169.86)	11.27

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	(37.85)	(88.09)	(43.92)	181.11