Consolidated Financial Statements

USHIO INC.

Year ended March 31, 2022 with
Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
USHIO INC.

Opinion

We have audited the accompanying consolidated financial statements of USHIO INC. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

Impairment of non-current assets in the imaging equipment business	
Description of Key Audit Matter	**Auditor's Response**
The Company and certain consolidated subsidiaries manufacture and sell cinema and general projectors (hereinafter referred to as "projectors") to customers worldwide. However, due to the spread of the novel coronavirus infection (hereinafter referred to as "COVID-19"), temporary closures of movie theaters and restrictions on events occurred mainly in Europe and the United States of America. In the current fiscal year, the resumption of economic activities promoted	We performed the following audit procedures on the estimates of total undiscounted future cash flows for the purpose of determining whether it is necessary to recognize impairment losses on non-current assets in the imaging equipment business. In addition, we involved the work of a component team in the audit for the imaging equipment business.

the resumption of movie theaters and events, but COVID-19 affected demand at movie theaters, commercial facilities, and amusement parks. As a result, impairment indicators were identified for the asset group in the imaging equipment business, which includes projector manufacturing facilities. In order to determine whether it is necessary to recognize impairment losses, estimates of future cash flows are necessary. Furthermore, as of the year end, uncertainties still remain about the future situation for energy and raw material prices. The impact of supply chain disruptions and the situation between Russia and Ukraine may cause further increases in energy and raw material prices. External factors such as market recovery and growth, including when COVID-19 will end, and uncertainties, such as price increases, affect future cash flows. As described in the Notes to Consolidated Financial Statements (Significant Accounting Estimates), the Company has not recognized any impairment losses during the fiscal year ended March 31, 2022 for the asset group of the imaging equipment business related to property, plant and equipment of 7,865 million yen and intangible assets of 782 million yen since the total undiscounted future cash flows generated from the asset group exceeded the net book values of each asset group. Future cash flows are estimated mainly based on the business plans authorized by the Board of Directors and growth rate in subsequent periods. The key assumptions in the future cash flows are sales growth, raw material costs, labor costs and operating expenses such as logistics expenses. Projections of sales growth and operating expenses, which are major assumptions used by the Company, are particularly important because they are significantly affected by the containment of COVID-19, market recovery, and rising prices, as described above. The estimates of future cash flows, including these assumptions, are subject to a high degree of uncertainty and the book values of the	•We evaluated the design and operating effectiveness of internal controls related to the determination of the necessity of recognition of impairment losses. ・ To evaluate the accuracy of management's estimates, business plans and performance in the previous periods were compared. ・We compared periods for estimating future cash flows to the remaining useful lives of major assets. • We evaluated the consistency of future cash flows with the business plans authorized by the Board of Directors. ・ Important assumptions, including the effects of COVID-19, the situation in Russia and Ukraine, and rising prices, were discussed with management and compared with available external data. • A sensitivity analysis was performed on important assumptions taking into account future fluctuation risks.

corresponding non-current assets are also material. Based on the above factors, we have determined that this is a key audit matter.	

Revenue recognition in the optical equipment business of lithography equipment and EUV light sources	
Description of Key Audit Matter	**Auditor's Response**
As described in the Notes to Consolidated Financial Statements (Segment Information, etc.), the Company's consolidated net sales include sales to external customers in the optical equipment business segment of 48,386 million yen, an increase of 9,387 million yen, or approximately 24%, from the previous fiscal year. Products in the optical equipment business include split projection lithography equipment for cutting-edge IC package substrates and direct writing lithography equipment for printed circuit boards manufactured and sold by the Company and certain consolidated subsidiaries, as well as EUV light sources for mask inspection required for EUV lithography used in next-generation semiconductor manufacturing where ultra-miniaturization is progressing. Sales of above-mentioned lithography equipment and EUV light sources are affected by the semiconductor-related market and have been increasing in recent years due to the growing demand for 5G in practical applications and the server demand for data centers, and the increase in demand for next-generation semiconductors. On the other hand, in the fiscal year under review, due to a rapid increase in demand, there was a supply shortage of parts and materials, resulting in a rise in raw material prices and supply chain disruptions. However, the Company and certain consolidated subsidiaries strengthened their production systems by expanding production facilities and reviewing their procurement and production policies. As a result, lithography equipment and EUV light sources are major contributors to the increase in sales to external customers in the optical equipment business segment and have	We performed the following audit procedures related to the timing and appropriateness of revenue recognition in the optical equipment business of lithography equipment and EUV light sources . In addition, component teams were involved concerning revenue recognition by subsidiaries. • The effectiveness of the development and operation of internal controls related to revenue recognition was evaluated. ・To ensure that sales of lithography equipment and EUV light sources were consistent with the market and business trends considered by auditors, such information was compared with the external data available on the semiconductor market and semiconductor equipment manufacturers, manufacturing capacity associated with the increase of capital investment, and manufacturing costs such as the purchase of raw materials. • To identify performance obligations, product sales agreements and maintenance service agreements with key customers were inspected and inquiries were made of relevant business units. - To examine the necessity of combining contracts and the separate selling price, we inquired of the related business divisions about the timing of the conclusion of important contracts and selling prices were compared with the previous period. - To confirm that the performance obligations relating to the sales of the products of lithography equipment and EUV light sources were satisfied, the order forms and acceptance documents obtained from the customers with respect to sales having high quantitative materiality were inspected.

a significant impact on the Company’s operating results. Moreover, as product sales of these lithography equipment and EUV light sources require high performance and steady operation through cutting-edge technologies, revenue is recognized when the customer completes the confirmation of agreed performance, as described in the note (Revenue Recognition). In addition, after-sales maintenance services are recognized as revenue over time or when maintenance services are provided, depending on the terms and conditions of the contract. However, the service specifications have become more diverse and the terms and conditions of the contracts have become more complex, and for some products, a variable consideration based on the product′s capacity utilization rate is included. As described above, high performance and steady operation are particularly important in terms of generating sales of lithography equipment and EUV light sources. Therefore, in many cases, it is necessary to make judgments in accordance with actual conditions in order to satisfy performance obligations through inspection of customer acceptances. In addition, the estimation of the consideration is subject to uncertainty and is subjective. In addition to the above, the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) was adopted effective from the beginning of the current fiscal year. In order to properly implement accounting policies in accordance with this standard, it has become necessary to consider various types of contracts with customers. In particular, the examination of whether or not combining contracts between product sales and maintenance services and allocating the transaction prices, which were not stipulated in the previous accounting standards, are necessary, and the such examination highly complex. As a result, we have determined that the timing and appropriateness of revenue recognition in the optical equipment business	- To confirm that additional costs for fulfilling the performance obligations after sales accounting had not been recorded, the details of the costs were inspected and related inquiries were made with the related divisions. ・ To assess the accuracy of the variable consideration for maintenance services, we made inquiries with persons responsible about the status of the agreements with customers after the end of the period and we inspected the operating records submitted to customers and the agreements based on such records.

of lithography equipment and EUV light sources are key audit matters.	

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 (10) to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 28, 2022

北　本　佳永子

Designated Engagement Partner
Certified Public Accountant

須　山　誠一郎

Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Assets			
Current assets			
Cash and deposits	73,670	88,687	724,508
Notes and accounts receivable - trade	34,024	-	-
Notes and accounts receivable - trade, and contract assets (*1)	-	35,292	288,311
Securities	2,915	4,937	40,335
Merchandise and finished goods	22,885	26,169	213,782
Work in process	17,884	20,282	165,690
Raw materials and supplies	17,110	18,891	154,328
Other	10,585	10,134	82,795
Allowance for doubtful accounts	(2,716)	(2,686)	(21,945)
Total current assets	176,359	201,708	1,647,806
Non-current assets			
Property, plant and equipment			
Buildings and structures	44,919	47,161	385,274
Accumulated depreciation	(27,943)	(29,767)	(243,180)
Buildings and structures, net	16,975	17,393	142,093
Machinery, equipment and vehicles	26,314	27,875	227,722
Accumulated depreciation	(19,006)	(20,212)	(165,121)
Machinery, equipment and vehicles, net	7,307	7,662	62,600
Land	8,650	8,630	70,501
Construction in progress	2,268	2,708	22,122
Other	38,114	41,498	339,010
Accumulated depreciation	(28,494)	(31,730)	(259,212)
Other, net	9,620	9,768	79,798
Property, plant and equipment, net	44,822	46,162	377,116
Intangible assets			
Goodwill	335	235	1,924
Other	3,075	2,755	22,512
Total intangible assets	3,411	2,991	24,436
Investments and other assets			
Investment securities (*2)	56,364	59,146	483,184
Long-term loans receivable	517	15	125
Deferred tax assets	1,994	4,135	33,787
Net defined benefit asset	5,391	5,592	45,685
Other	1,950	1,924	15,724
Allowance for doubtful accounts	(535)	(580)	(4,745)
Total investments and other assets	65,682	70,234	573,762
Total non-current assets	113,915	119,388	975,314
Total assets	290,275	321,096	2,623,121

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	16,356	21,164	172,896
Short-term loans payable	6,058	2,185	17,856
Current portion of long-term loans payable	3,520	16,402	133,993
Income taxes payable	1,056	3,828	31,274
Contract liabilities	-	14,388	117,547
Provision for bonuses	2,021	2,699	22,053
Provision for product warranties	2,355	2,597	21,223
Provision for loss on order received	0	-	-
Other	16,639	9,126	74,554
Total current liabilities	48,007	72,393	591,398
Non-current liabilities			
Long-term loans payable	15,056	-	-
Deferred tax liabilities	7,005	7,823	63,912
Provision for directors' retirement benefits	286	270	2,206
Provision for directors' stock payment	87	146	1,194
Net defined benefit liability	4,098	4,054	33,123
Asset retirement obligations	272	302	2,469
Other	4,280	903	7,381
Total non-current liabilities	31,087	13,500	110,288
Total liabilities	79,094	85,893	701,687
Net assets			
Shareholders' equity			
Capital stock	19,556	19,556	159,760
Capital surplus	27,727	27,727	226,513
Retained earnings	152,448	161,877	1,322,423
Treasury shares, at cost	(9,055)	(9,032)	(73,788)
Total shareholders' equity	190,676	200,129	1,634,909
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	18,280	21,399	174,821
Deferred gains or losses on hedges	(3)	-	-
Foreign currency translation adjustment	3,582	14,186	115,897
Remeasurements of defined benefit plans	(1,433)	(598)	(4,886)
Total accumulated other comprehensive income	20,426	34,988	285,832
Non-controlling interests	77	84	692
Total net assets	211,180	235,202	1,921,434
Total liabilities and net assets	290,275	321,096	2,623,121

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net sales (*1)	118,558	148,821	1,215,765
Cost of sales (*2)	78,719	94,792	774,384
Gross profit	39,839	54,029	441,381
Selling, general and administrative expenses (*3, 4)	39,074	40,960	334,618
Operating profit	764	13,068	106,762
Non-operating income			
Interest income	1,010	670	5,480
Dividend income	884	914	7,471
Foreign exchange gains	-	377	3,082
Realized and unrealized profit on trading securities, net	284	207	1,694
Gain on investments in investment partnerships	129	26	219
Gain on specified money in trust	213	-	-
Subsidies for employment adjustment	1,432	468	3,825
Other	447	338	2,768
Total non-operating income	4,402	3,004	24,542
Non-operating expenses			
Interest expenses	442	329	2,688
Foreign exchange losses	1,015	-	-
Share of loss of entities accounted for using equity method	80	86	704
Provision of allowance for doubtful accounts	6	-	-
Loss on specified money in trust	-	101	832
Settlement payments	-	119	979
Other	214	240	1,962
Total non-operating expenses	1,759	877	7,167
Ordinary profit	3,407	15,195	124,137
Extraordinary income			
Gain on sales of non-current assets (*5)	53	1,153	9,421
Gain on sales of investment securities	278	17	145
Gain on change in ownership interest in equity	507	-	-
Total extraordinary income	838	1,171	9,566
Extraordinary losses			
Loss on retirement of non-current assets (*6)	121	98	806
Loss on sales of non-current assets (*7)	25	11	91
Impairment loss (*8)	143	164	1,341
Loss on sales of investment securities	61	15	125
Loss on valuation of investment securities	320	1	8
Business structure improvement expenses (*9)	2,129	161	1,321
Loss on temporary closure (*10)	1,312	151	1,239
Total extraordinary losses	4,115	603	4,934
Profit before income taxes	130	15,762	128,769
Income taxes-current	1,492	5,470	44,687
Income taxes-deferred	(675)	(2,327)	(19,009)
Total income taxes	817	3,143	25,677
Profit (loss)	(687)	12,619	103,092
Profit attributable to non-controlling interests	0	13	106
Profit (loss) attributable to owners of the parent	(687)	12,606	102,986

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit (loss)	(687)	12,619	103,092
Other comprehensive income			
Valuation difference on available-for-sale securities	6,405	3,119	25,484
Deferred gains or losses on hedges	6	3	28
Foreign currency translation adjustment	4,863	10,553	86,217
Remeasurements of defined benefit plans	2,790	835	6,825
Share of other comprehensive income of entities accounted for using equity method	(36)	56	465
Total other comprehensive income	14,029	14,569	119,020
Comprehensive income	13,342	27,188	222,112
Comprehensive income attributable to;			
Owners of the parent	13,341	27,169	221,950
Non-controlling interests	1	19	161

3) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,727	156,082	(9,148)	194,218
Changes of items during period					
Dividends from surplus			(3,141)		(3,141)
Loss attributable to owners of the parent			(687)		(687)
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				96	96
Change in scope of consolidation			193		193
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(3,634)	93	(3,541)
Balance at end of current period	19,556	27,727	152,448	(9,055)	190,676

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	11,874	(10)	(1,242)	(4,223)	6,397	89	200,705
Changes of items during period							
Dividends from surplus							(3,141)
Loss attributable to owners of the parent							(687)
Purchase of treasury shares							(3)
Disposal of treasury shares							96
Change in scope of consolidation							193
Net changes of items other than shareholders' equity	6,405	6	4,825	2,790	14,028	(12)	14,016
Total changes of items during period	6,405	6	4,825	2,790	14,028	(12)	10,474
Balance at end of current period	18,280	(3)	3,582	(1,433)	20,426	77	211,180

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,727	152,448	(9,055)	190,676
Cumulative effects of changes in accounting policies			(35)		(35)
Restated balance	19,556	27,727	152,412	(9,055)	190,641
Changes of items during period					
Dividends from surplus			(3,141)		(3,141)
Profit attributable to owners of the parent			12,606		12,606
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares				28	28
Net changes of items other than shareholders' equity					－
Total changes of items during period	－	－	9,465	22	9,487
Balance at end of current period	19,556	27,727	161,877	(9,032)	200,129

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	18,280	(3)	3,582	(1,433)	20,426	77	211,180
Cumulative effects of changes in accounting policies							(35)
Restated balance	18,280	(3)	3,582	(1,433)	20,428	77	211,145
Changes of items during period							
Dividends from surplus							(3,141)
Profit attributable to owners of the parent							12,606
Purchase of treasury shares							(5)
Disposal of treasury shares							28
Net changes of items other than shareholders' equity	3,119	3	10,603	835	14,562	6	14,569
Total changes of items during period	3,119	3	10,603	835	14,562	6	24,057
Balance at end of current period	21,399	－	14,186	(598)	34,988	84	235,202

Fiscal year ended March 31, 2022

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	159,760	226,513	1,245,388	(73,973)	1,557,688
Cumulative effects of changes in accounting policies			(287)		(287)
Restated balance	159,760	226,513	1,245,101	(73,973)	1,557,401
Changes of items during period					
Dividends from surplus			(25,663)		(25,663)
Profit attributable to owners of the parent			102,986		102,986
Purchase of treasury shares				(43)	(43)
Disposal of treasury shares				228	228
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	77,322	185	77,507
Balance at end of current period	159,760	226,513	1,322,423	(73,788)	1,634,909

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	149,337	(28)	29,270	(11,711)	166,867	635	1,725,192
Cumulative effects of changes in accounting policies							(287)
Restated balance	149,337	(28)	29,270	(11,711)	166,867	635	1,724,904
Changes of items during period							
Dividends from surplus							(25,663)
Profit attributable to owners of the parent							102,986
Purchase of treasury shares							(43)
Disposal of treasury shares							228
Net changes of items other than shareholders' equity	25,484	28	86,626	6,825	118,964	56	119,021
Total changes of items during period	25,484	28	86,626	6,825	118,964	56	196,529
Balance at end of current period	174,821	-	115,897	(4,886)	285,832	692	1,921,434

4) Consolidated Statement of Cash Flows

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	130	15,762	128,769
Depreciation	6,988	6,939	56,692
Impairment loss	143	164	1,341
Increase (decrease) in net defined benefit liability	41	(55)	(453)
Amortization of goodwill	359	163	1,332
Increase (decrease) in allowance for doubtful accounts	592	(360)	(2,941)
Business structure improvement expenses	2,129	161	1,321
Interest and dividend income	(1,895)	(1,585)	(12,952)
Subsidies for employment adjustment	(1,432)	(468)	(3,825)
Loss (gain) on change in ownership interest in equity	(507)	-	-
Interest expenses	442	329	2,688
Loss (gain) on trading securities	(284)	(207)	(1,694)
Share of loss (profit) of entities accounted for using equity method	80	86	704
Settlement payments	-	119	979
Loss (gain) on sales of non-current assets	(27)	(1,142)	(9,329)
Loss on retirement of non-current assets	121	98	806
Loss (gain) on sales of investment securities	(216)	(2)	(19)
Loss (gain) on valuation of investment securities	320	1	8
Decrease (increase) in notes and accounts receivable-trade	6,880	474	3,878
Decrease (increase) in inventories	(472)	(4,329)	(35,371)
Increase (decrease) in notes and accounts payable-trade	(2,446)	4,142	33,842
Increase (decrease) in contract liabilities	-	673	5,498
Increase (decrease) in advances received	1,873	-	-
Other	1,166	641	5,243
Subtotal	13,988	21,607	176,519
Interest and dividends received	2,054	1,641	13,406
Interest paid	(437)	(333)	(2,722)
Subsidy income for employment adjustment	1,272	688	5,621
Payment of business structure improvement expenses	(776)	(495)	(4,051)
Income taxes paid	(1,584)	(1,479)	(12,085)
Net cash provided by (used in) operating activities	14,517	21,628	176,688

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investing activities			
Payments into time deposits	(6,819)	(10,449)	(85,364)
Proceeds from withdrawal of time deposits	5,448	7,329	59,874
Payments of short-term loans receivable	(10)	(38)	(316)
Collection of short-term loans receivable	30	326	2,667
Purchase of securities	(85)	(89)	(729)
Proceeds from sales and redemption of securities	1,835	1,472	12,027
Purchase of property, plant and equipment	(6,304)	(5,958)	(48,672)
Proceeds from sales of property, plant and equipment	94	1,545	12,628
Purchase of intangible assets	(483)	(235)	(1,923)
Purchase of investment securities	(2,395)	(3,652)	(29,837)
Proceeds from sales and redemption of investment securities	5,255	3,903	31,892
Payments for acquisition of business	-	(52)	(425)
Payments of long-term loans receivable	(17)	(10)	(89)
Collection of long-term loans receivable	0	370	3,028
Other	31	18	150
Net cash provided by (used in) investing activities	(3,418)	(5,519)	(45,089)
Financing activities			
Net increase (decrease) in short-term loans payable	2,646	(3,960)	(32,354)
Proceeds from long-term loans payable	5,778	-	-
Repayment of long-term loans payable	(6,564)	(3,520)	(28,755)
Purchase of treasury shares	(3)	(5)	(43)
Cash dividends paid	(3,141)	(3,139)	(25,649)
Proceeds from issuance of new shares of consolidated subsidiaries to a third party	500	-	-
Net cash provided by (used in) financing activities	(784)	(10,625)	(86,803)
Effect of exchange rate changes on cash and cash equivalents	1,575	5,717	46,707
Net increase (decrease) in cash and cash equivalents	11,890	11,200	91,503
Cash and cash equivalents at beginning of year	59,046	70,418	575,267
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(517)	-	-
Cash and cash equivalents at end of year (*)	70,418	81,619	666,770

Notes to Consolidated Financial Statements

(Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 50

(2) The changes in the scope of consolidation for the fiscal year ended March 31, 2022 are as follows:

(Exclusion) ・One company excluded from the scope of consolidation due to mergers between consolidated subsidiaries

CHRISTIE TRADE DEVELOPMENT (SHANGHAI) CO., LTD.

2. Application of equity method

(1) Number of associates under equity method: One

Name of major company:

KA Imaging Inc.

(2) The associate that is not accounted for using the equity method (Hokkaido Saladpaprika Co., Ltd.) is excluded from the scope of the equity method since such exclusion has an immaterial effect on the consolidated financial statements of USHIO INC. (the "Company") in terms of profit or loss (amount corresponding to the Company's equity position), retained earnings (amount corresponding to the Company's equity position) and others, and the entity, as a whole, is not material.

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

3. Fiscal years, etc. of consolidated subsidiaries

The consolidated subsidiaries whose fiscal year end is different from the consolidated fiscal year end are as follows:

Company name	Fiscal year-end date
USHIO (SUZHOU) CO., LTD.	December 31*1
USHIO SHANGHAI, INC.	December 31*1
USHIO (GUANGZHOU) CO., LTD.	December 31*1
USHIO (SHAOGUAN) CO., LTD.	December 31*1
USHIO MEDICAL TECHNOLOGY (SUZHOU) CO., LTD.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHANGHAI) Co., LTD.	December 31*1
USHIO SHENZHEN, INC.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHENZHEN) CO., LTD.	December 31*1
United Designers of Architectural Lighting, Inc.	December 31*1

*1 Provisional financial statements as of the consolidated fiscal year-end date are used for these companies.

4. Accounting policies

(1) Valuation bases and methods for significant assets

(a) Securities

1) Trading securities

Carried at fair value (the cost of securities sold is calculated by the moving-average method)

2) Held-to-maturity securities

Carried at amortized cost (straight-line method)

3) Available-for-sale securities

Other than stocks, etc. without market prices:

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

Stocks, etc. without market prices:

Carried at cost using the moving-average method

4) Investments in an investment limited partnership and other similar partnerships (deemed as securities according to Article 2, paragraph 2 of the Financial Instruments and Exchange Act)

Carried at their corresponding equity value, based on the latest financial statements available prepared on the financial reporting dates as specified in the respective partnership agreements.

(b) Derivatives

Carried at fair value

(c) Money held in trust for investment purposes

Carried at fair value

(d) Inventories

1) Merchandise and finished goods, and work in process

Merchandise and finished goods, and work in process are stated principally at cost determined by the gross average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

2) Raw materials

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

(2) Accounting policy for depreciation of significant assets

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

Depreciation of property, plant and equipment is calculated principally by the straight-line method.

The estimated useful lives of the major assets are as follows:

Buildings and structures:	2 to 50 years
Machinery, equipment and vehicles:	3 to 15 years
Others:	2 to 15 years

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method.

In addition, amortization of software for internal use is calculated by the straight-line method based on the estimated useful life of five years.

(c) Leased assets

Leased assets related to finance lease transactions that transfer ownership

Leased assets related to finance lease transactions that transfer ownership are depreciated by the same approach as the depreciation method applied to self-owned non-current assets.

Leased assets related to finance lease transactions that do not transfer ownership

Leased assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

(3) Accounting policy for significant allowances

(a) Allowance for doubtful accounts

(i) The Company and its domestic consolidated subsidiaries

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 collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Overseas consolidated subsidiaries

To prepare for losses from bad debts, an estimated uncollectible amount is provided based on consideration of collectibility for individual receivables.

(b) Provision for bonuses

The provision for bonuses represents the amounts for future payments of employees' bonuses. The provision is recognized in the amount that is expected to be paid.

(c) Provision for directors' retirement benefits

Some of the consolidated subsidiaries recognize provision for retirement benefits for directors, corporate auditors and others in the full amount that would have to be paid if all the directors and corporate auditors resigned at the balance sheet date based on their internal regulations.

(d) Provision for directors' stock payment

Provision for directors' stock payment represents the amounts for future payments of the Company's stock to directors. The provision is recognized based on the amount that is expected to be paid, which is determined using points allocated to each director as prescribed in the share granting rules.

(e) Provision for product warranties

Provision for product warranties is recognized for expenses for after-sales service and free repairs for products sold by the Company and its consolidated subsidiaries in the estimated amount to be incurred in the future.

(f) Provision for loss on orders received

To provide for future losses on contracted orders received, the Company recognizes a provision for loss on orders received equal to the amount of losses it anticipates after the year-end. Such a provision is recognized when losses on orders received are probable and reasonably estimated at the end of the current fiscal year.

(4) Accounting treatment of retirement benefits

1) Method for attribution of estimated retirement benefits to periods

In the calculation of retirement benefit obligations, the expected retirement benefits attributed to the period up to the end of current fiscal year are based on the benefit formula method.

2) Accounting method for actuarial gains or losses and past service costs

Past service costs are amortized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the costs are incurred.

Actuarial gains or losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the gains or losses are recognized.

(5) Standards for the recognition of significant revenues and expenses

(a) Sales of products

For halogen lamps, discharge lamps and solid-state light sources, this is primarily the manufacturing and sales of various lamps. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers.

For UV equipment, optical equipment and other, this is primarily the manufacturing and sales of various lithography equipment. For the sales of these products, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without the installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer’s acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

For cinema equipment and general imaging equipment, this is primarily the manufacturing and sales of various projectors. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

(b) Provision of maintenance services

For UV equipment, optical equipment and other, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. In addition, for optical equipment and some other products, this includes variable consideration corresponding to the product’s capacity utilization rate.

For cinema equipment and general imaging equipment, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period.

(6) Significant hedge accounting

(a) Hedge accounting

Deferral hedge is applied. When hedging foreign currency risk, certain domestic consolidated subsidiaries apply the foreign exchange rate designated in the forward contract when the transaction qualifies for such treatment.

(b) Hedging instruments and hedged items

Hedging instruments: Forward foreign exchange contracts and interest rate swaps

Hedged items: Monetary receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies, securities and loans payable denominated in foreign currencies

(c) Hedging policy

The Company and its consolidated subsidiaries (collectively, the “Group”) hedge the risks of fluctuation in foreign currencies and interest rates in accordance with internal management rules on financial market risk and derivative transactions.

(d) Method of assessing the hedge effectiveness

The hedge effectiveness is assessed by comparing the cumulative changes in fair value or cash flows of the hedged items and those of the hedging instruments during the period from the inception of the hedge to the time of determining the effectiveness, and based on the respective amount of changes.

(7) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over a period representing its useful life.

(8) Scope of cash and cash equivalents in the consolidated statement 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.

(9) Other significant matters forming the basis of preparing the consolidated financial statements

Accounting method for consumption taxes

The consumption taxes are accounted for using the tax exclusion method.

(10) U.S. Dollar Amounts

For the readers’ convenience, the accompanying consolidated financial statements with respect to the fiscal year ended March 31, 2022 have been presented in U.S. dollars by translating all yen amounts at ¥122.41 = U.S. $1.00, the exchange rate prevailing on March 31, 2022. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

(Significant Accounting Estimates)

1. Impairment of non-current assets

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

In the fiscal year ended March 31, 2022, the Company recognized indications of impairment for the asset group comprising assets of some consolidated subsidiaries within the "Imaging equipment business." As a result, the Company reviewed the necessity of recording an impairment loss.

As a result of the review, no impairment loss was recognized because the undiscounted future cash flows exceeded the book values of each asset group.

		Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
		(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
"Imaging equipment business" asset group	Property, plant and equipment	7,072	7,865	64,254
	Intangible assets	911	782	6,395

(2) Information on the nature of significant accounting estimates for identified items

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

For non-current assets or asset groups for which there is an indication of impairment, if the total undiscounted future cash flows from the asset or asset group is less than the book value, the Group writes down the book value to the recoverable amount and records the amount of the write-down as an impairment loss.

2) Key assumptions used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

("Imaging equipment business" asset group)

Although severe business conditions continue for movie theaters due to the impact of COVID-19, we forecast movie theaters to resume and operations to recover with the resumption of economic activity around the world. We forecast sales of digital cinema projectors to increase due to the recovery in capital investment demand. We also forecast sales of related imaging equipment to increase due to the resumption of commercial facilities and recovery in events, etc.

However, supplies of components are being delayed by the global semiconductor shortage. There are also supply chain disruptions, the Russia-Ukraine situation, and the consequent surge in energy and raw material prices. Given the difficulties of accurately predicting the timing for these issues to be contained, the Group has assumed these impacts will continue during the fiscal year ending March 31, 2023.

We have estimated the undiscounted future cash flows based on the value in use calculated by factoring in the impact of these issues on the net sales growth rate for major products and rise in operating expenses, such as raw material costs, labor costs and logistics costs.

3) Effect on the consolidated financial statements for the next fiscal year

If the impacts on the net sales growth rate and rise in operating expenses, such as raw material costs, labor costs and logistics costs from factors including the protracted delays in supplies of components from suppliers and the surge in energy and raw material prices exceed expectations, and the future differs from our assumptions in 2) above, impairment losses on non-current assets may be recorded in the next fiscal year.

2. Recoverability of deferred tax assets

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets	1,994	4,135	33,787
Deferred tax assets (Before offsetting against deferred tax liabilities)	5,628	9,102	74,360

(2) Information on the nature of significant accounting estimates for identified items

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

The Group determines the recoverability of deferred tax assets by making reasonable estimates of future taxable income for mainly each tax jurisdiction. For certain consolidated subsidiaries, the recoverability of deferred tax assets is determined by analyzing the cumulative profit or loss before income taxes for each company over a three-year period.

2) Key assumptions used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

The estimate of taxable income and profit or loss before income taxes is mainly based on the business plan used by the Group.

Supplies of components are being delayed by the global semiconductor shortage. There are also supply chain disruptions, the Russia-Ukraine situation, and the consequent surge in energy and raw material prices. Given the difficulties of accurately predicting the timing for these issues to be contained, the Group has assumed these impacts will continue during the fiscal year ending March 31, 2023. The impact of these changes on the net sales growth rate for major products and on the rise in operating expenses, such as raw material costs, labor costs, and logistics costs, is factored into the business plan, which is the basis for the estimates.

In the imaging equipment business, although challenging business conditions have continued for movie theaters due to the impact of the spread of COVID-19, sales of digital cinema projectors are expected to increase due to the projected recovery of the desire for capital investment as the worldwide resumption of economic activities and the resumption and recovery of operations of movie theaters are expected. Furthermore, due to the resumption of commercial facilities, recovery of events, etc., sales of related imaging equipment are also expected to increase, and the impact of this is also included in the business plan.

3) Effect on the consolidated financial statements for the next fiscal year

If the impacts on the net sales growth rate and rise in operating expenses, such as raw material costs, labor costs and logistics costs from factors including the protracted delays in supplies of components from suppliers and the surge in energy and raw material prices exceed expectations, and the future differs from our assumptions in 2) above, there is a risk that estimates for taxable income and profit or loss before income taxes will decrease, and the judgment of recoverability of deferred tax assets will be significantly impacted.

(Changes in Accounting Policies)

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

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued on March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and revenue is recognized at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. Consequently, while revenue for some transactions involving subsidiaries was previously recognized over a certain period of time, now the method has been changed and revenue is recognized at a point in time.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022 was added to or deducted from the opening balance of retained earnings of the fiscal year, and thus the new accounting policy was applied from such opening balance.

The impact of this application on the opening balance of retained earnings and profit or loss in the current fiscal year is immaterial.

Due to the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable-trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the current fiscal year. In addition, "Other" under current liabilities as well as "Other" under non-current liabilities have been included in "Contract liabilities" and "Other" under current liabilities from the current fiscal year. However, in accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new method of presentation.

In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes to revenue recognition for the previous fiscal year have not been described.

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

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has applied the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on July 4, 2019). Consequently, for stocks other than those without market prices, etc., classified as available-for-sale securities, previously a fair value method based on the average market price in the one-month period prior to the fiscal year end was used, however, the method was changed from the current fiscal year to one in which the market price, etc. as of the fiscal year end is used.

In addition, the notes on "Financial Instruments" have included notes on matters related to the breakdown of fair values of financial instruments by levels and other matters. However, in accordance with the transitional treatment provided for in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on July 4, 2019), such notes for the previous fiscal year have been omitted.

(Accounting Standards Issued but Not Yet Applied)

(Leases)

・Leases (ASU No. 2016-02 (Topic 842))

(1) Overview

This accounting standard and relevant regulations in principle require that recognition of assets and liabilities arising from all leases to be conducted by the lessee of a lease. There are no significant changes to the accounting requirements of the lessor.

(2) Date of application

ASU No. 2016-02 (Topic 842) will be applied from the end of the fiscal year ending March 31, 2023.

(3) Impact of application

The impact of this standard on the consolidated financial statements is currently being evaluated.

(Accounting Standard for Fair Value Measurement, etc.)

・Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, issued on June 17, 2021)

(1) Overview

When the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) was announced on July 4, 2019, it was thought that consideration concerning the "the determination of the fair value of investment trusts" would require a certain amount of time for discussion with relevant parties, while certain considerations were also necessary in relation to the notes on the fair value of "investments in partnerships, etc. that are carried on the balance sheet at the net value of the equity interest," so these items were determined following consideration undertaken during a period of about one year following the announcement of the Accounting Standard for Fair Value Measurement, and the revised implementation guidance reflecting those considerations were announced in June 17, 2021.

(2) Date of application

These standards will be applied from the beginning of the fiscal year ending March 31, 2023.

(3) Impact of application

The impact of applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" on the consolidated financial statements is currently being evaluated.

(Changes in Accounting Estimates)

(Change in amortization period for actuarial gains and losses in accounting for retirement benefits and past service costs)

The amortization period for actuarial gains and losses in accounting for retirement benefits and past service costs had been over a certain period (mainly 15 years) that is within the average remaining years of service of the eligible employees. However, because the average remaining years of service fell below this period, the Company changed the amortization period to mainly 12 years from the current fiscal year.

As a result of this change, operating profit, ordinary profit, and profit before income taxes fell ¥520 million ($4,253 thousand), respectively, in the current fiscal year.

(Additional Information)

(Stock remuneration plan for directors)

The Company has introduced a stock remuneration plan for directors of the Company (excluding outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding overseas residents, hereinafter "Directors, et al."), in order to raise the incentive to contribute to improving the Company's medium- to long-term business performance and to increasing enterprise value.

(1) Overview

The Company entrusts money equivalent to remuneration of Directors, et al. The Company's shares will be acquired using the entrusted money and the Company's shares and the cash equivalent of the conversion value of the Company's shares will be delivered and paid to Directors, et al. based on his or her position and the degree of accomplishment of business performance. Directors, et al. are eligible to receive the Company's shares and the cash equivalent of the conversion value of the Company's shares, in principle after retiring from the position of Director, et al. In order to maintain neutrality toward management of the Company, the voting rights of the Company's shares in the trust may not be exercised during the trust period.

(2) The Company's shares in the trust

The Company's shares in the trust were recorded as treasury shares in net assets on the consolidated balance sheet with the carrying value in the trust (excluding ancillary expenses). The carrying value and number of treasury shares in the trust were ¥409 million and 251,200 shares as of March 31, 2021 and ¥381 million ($3,112 thousand) and 234,000 shares as of March 31, 2022, respectively.

(Consolidated Balance Sheet)

*1 The amounts of receivables from contracts with customers within notes and accounts receivable - trade, and contract assets are as follows.

	As of March 31, 2022	
	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable-trade	3,622	29,954
Accounts receivable-trade	30,793	251,557

*2 Investments in associates are as follows:

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investment securities (stocks)	221	191	1,565

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

Revenue from contracts with customers and revenue from other sources this are not presented separately in net sales. The amount of revenue from contracts with customers is presented in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

*2 The ending inventory balance is the amount after write-downs of book value due to declines in profitability, and the loss on valuation of inventories included in cost of sales is as follows:

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
2,117	370	3,023

*3 The main components of selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Salaries and wages	10,695	11,201	91,511
Provision for bonuses	594	913	7,460
Retirement benefit expenses	534	691	5,651
Provision for directors' retirement benefits	59	40	333
Provision for directors' stock payment	-	86	705
Research and development expenses	10,093	10,543	86,134
Provision of allowance for doubtful accounts	631	(278)	(2,273)

*4 Research and development expenses included in general and administrative expenses are as follows:

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
10,093	10,543	86,134

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	28	756	6,183
Machinery, equipment and vehicles	22	12	102
Land	-	369	3,020
Other	2	14	114
Total	53	1,153	9,421

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	18	24	201
Machinery, equipment and vehicles	35	42	346
Construction in progress	5	6	49
Other	61	25	208
Total	121	98	806

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Machinery, equipment and vehicles	5	8	66
Other	20	3	24
Total	25	11	91

*8 Impairment loss

Fiscal year ended March 31, 2021

Location	Classification by use	Type of assets	(Millions of yen)
California, U.S.A.	Business assets	Buildings and structures	445
Osaka, Osaka, Nagoya, Aichi, Fukuoka, Fukuoka Kanzaki-Gun, Hyogo,	Business assets	Buildings and structures, Other (Property, plant and equipment), Machinery, equipment and vehicles	85
Fukaya, Saitama, Taito-ku, Tokyo	Business assets	Buildings and structures, Machinery, equipment and vehicles, Other (Property, plant and equipment), Other (Intangible assets)	81
Chiyoda-ku, Tokyo Kawasaki, Kanagawa Takasago, Hyogo and others	Business assets	Buildings and structures, Machinery, equipment and vehicles, Other (Property, plant and equipment)	54
Steinhöring, Germany	Business assets	Other (Property, plant and equipment)	3

In principle, the Group's business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group's idle assets and assets planned to be sold are grouped on an individual asset basis.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses.

Regarding the business assets of California, U.S.A., the book values were written down to zero accompanying the business structure improvement of CHRISTIE Group, and the write-downs were recognized as business structure improvement expenses under extraordinary losses.

The book values of business assets of Fukaya, Saitama and Taito-ku, Tokyo were written down to zero because these assets are not expected to be used in the future, with the resolution to dissolve WACOM ELECTRIC CO., LTD., and the write-downs were recorded as business structure improvement expenses under extraordinary losses.

* Breakdown of impairment loss by location is as follows:

・Impairment loss of ¥445 million recognized for California, U.S.A. is for buildings and structures.

・Impairment loss of ¥85 million recognized for Osaka, Osaka, etc. includes ¥65 million for buildings and structures, ¥16 million for other (property, plant and equipment), and ¥3 million for machinery, equipment and vehicles.

・Impairment loss of ¥81 million recognized for Fukaya, Saitama, etc. includes ¥51 million for buildings and structures, ¥17 million for machinery, equipment and vehicles, ¥6 million for other (property, plant and equipment), and ¥5 million for other (intangible assets).

・Impairment loss of ¥54 million recognized for Chiyoda-ku, Tokyo, etc. includes ¥28 million for buildings and structures, ¥13 million for machinery and equipment, and ¥12 million for other (property, plant and equipment).

・Impairment loss of ¥3 million recognized for Steinhöring, Germany is for other (property, plant and equipment).

Fiscal year ended March 31, 2022

Location	Classification by use	Type of assets	(Millions of yen)	(Thousands of U.S. dollars)
Kitchener, Canada	Idle assets	Buildings and structures and Machinery, equipment and vehicles	54	441
Shenzhen, China	Idle assets	Machinery, equipment and vehicles	37	302
Chiyoda-ku, Tokyo Takasago, Hyogo	Business assets	Other (Property, plant and equipment)	58	474
Takasago, Hyogo Himeji, Hyogo	Idle assets	Buildings and structures and Machinery, equipment and vehicles	14	122

In principle, the Group's business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group's idle assets and assets planned to be sold are grouped on an individual asset basis.

The book value of a group of idle assets not used for business operations and not expected to be used in the future are reduced to zero, and the write-downs are recorded as impairment loss in extraordinary losses.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses.

* Breakdown of impairment loss by location is as follows:

- Impairment loss of ¥54 million ($441 thousand) recognized for Kitchener, Canada includes ¥47 million ($385 thousand) for machinery, equipment and vehicles and ¥6 million ($55 thousand) for buildings and structures.
- Impairment loss of ¥37 million ($302 thousand) recognized for Shenzhen, China includes ¥37 million ($302 thousand) for machinery, equipment and vehicles.
- Impairment loss of ¥58 million ($474 thousand) recognized for Chiyoda-ku, Tokyo, etc. includes ¥58 million ($474 thousand) for other (property, plant and equipment).
- Impairment loss of ¥14 million ($122 thousand) recognized for Takasago, Hyogo, etc. includes ¥14 million ($115 thousand) for machinery, equipment and vehicles and ¥0 million ($6 thousand) for buildings and structures.

*9 Business structure improvement expenses

Fiscal year ended March 31, 2021

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company's businesses. The major components in the breakdown of these expenses were ¥1,490 million of expenses for personnel downsizing, etc. due to the restructuring of CHRISTIE Group and Ushio Germany GmbH as well as the resolution to dissolve WACOM ELECTRIC CO., LTD., and ¥526 million of impairment loss, etc. due to the reorganization of unprofitable businesses.

Fiscal year ended March 31, 2022

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company's businesses. The major components in the breakdown of these expenses were ¥118 million ($965 thousand) of expenses for personnel downsizing due to the restructuring of USHIO EUROPE B.V., Ushio Germany GmbH and USHIO FRANCE S.A.R.L. , loss due to the office relocation of USHIO EUROPE B.V. and USHIO FRANCE S.A.R.L. was ¥43 million ($356 thousand).

*10 Loss on temporary closure

Fiscal year ended March 31, 2021

In response to requests from national governments regarding COVID-19, the Group has suspended operations of factories and temporarily closed part of the imaging equipment business after taking regulations in each country and prevention of the spread of infection into consideration.

As a result, fixed expenses (labor costs, depreciation, etc.) incurred during the period of suspension or closure are recorded as extraordinary losses due to closure of business, etc.

Fiscal year ended March 31, 2022

In response to requests from national governments regarding COVID-19, the Group has temporarily closed part of the imaging equipment business after taking regulations in each country and prevention of the spread of infection into consideration.

As a result, fixed expenses (labor costs, depreciation, etc.) incurred during the period of suspension or closure are recorded as extraordinary losses due to closure of business, etc.

(Consolidated Statement of Comprehensive Income)

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the year	8,814	4,522	36,942
Reclassification adjustments	197	(16)	(135)
Amount before income tax effect	9,012	4,505	36,806
Income tax effect	(2,606)	(1,385)	(11,322)
Valuation difference on available-for-sale securities	6,405	3,119	25,484
Deferred gains or losses on hedges:			
Amount arising during the year	1	1	9
Reclassification adjustments	7	3	31
Amount before income tax effect	9	5	41
Income tax effect	(2)	(1)	(12)
Deferred gains or losses on hedges	6	3	28
Foreign currency translation adjustment:			
Amount arising during the year	4,863	10,553	86,217
Reclassification adjustments	–	–	–
Amount before income tax effect	4,863	10,553	86,217
Income tax effect	–	–	–
Foreign currency translation adjustment	4,863	10,553	86,217
Remeasurements of defined benefit plans:			
Amount arising during the year	3,396	196	1,606
Reclassification adjustments	628	1,027	8,391
Amount before income tax effect	4,024	1,223	9,998
Income tax effect	(1,234)	(388)	(3,173)
Remeasurements of defined benefit plans	2,790	835	6,825
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(36)	56	465
Share of other comprehensive income of entities accounted for using equity method	(36)	56	465
Total other comprehensive income	14,029	14,569	119,020

(Consolidated Statement of Changes in Net Assets)

Fiscal year ended March 31, 2021

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

	Number of shares as of April 1, 2020	Increase	Decrease	Number of shares as of March 31, 2021
Shares issued:				
Common shares	127,000,000	–	–	127,000,000
Total	127,000,000	–	–	127,000,000
Treasury shares				
Common shares (Note)	6,480,983	2,574	59,250	6,424,307
Total	6,480,983	2,574	59,250	6,424,307

(Notes) 1. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (310,450 shares and 251,200 shares at the beginning and end of the current fiscal year, respectively).

2. The increase of 2,574 shares of treasury shares is due to purchase of shares of less than standard unit.

3. The decrease of 59,250 shares of treasury shares is due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 26, 2020	Common shares	3,141	26	March 31, 2020	June 29, 2020

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 26, 2020 include ¥8 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2021 and the effective date in the fiscal year ended March 31, 2022

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2021	Common shares	3,141	Retained earnings	26	March 31, 2021	June 30, 2021

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2021 include ¥6 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

Fiscal year ended March 31, 2022

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

	Number of shares as of April 1, 2021	Increase	Decrease	Number of shares as of March 31, 2022
Shares issued:				
Common shares	127,000,000	−	−	127,000,000
Total	127,000,000	−	−	127,000,000
Treasury shares				
Common shares (Note)	6,424,307	2,726	17,200	6,409,833
Total	6,424,307	2,726	17,200	6,409,833

(Notes) 1. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (251,200 shares and 234,000 shares at the beginning and end of the current fiscal year, respectively).

2. The increase of 2,726 shares of treasury shares is due to purchase of shares of less than standard unit.

3. The decrease of 17,200 shares of treasury shares is due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2021	Common shares	3,141	25,663	26	0.21	March 31, 2021	June 30, 2021

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2021 include ¥6 million ($53 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2022 and the effective date in the fiscal year ending March 31, 2023

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	Common shares	6,041	49,352	Retained earnings	50	0.41	March 31, 2022	June 30, 2022

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2022 include ¥11 million ($95 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(Consolidated Statement of Cash Flows)

* Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	73,670	88,687	724,508
Time deposits with a maturity of more than three months	(3,423)	(7,067)	(57,737)
Money management funds and others included in securities	171	-	-
Cash and cash equivalents	70,418	81,619	666,770

(Lease Transactions)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

1) Leased assets

・Property, plant and equipment

These leases are mainly production facilities (machinery, equipment and vehicles) and inspection instruments (other) of the Company.

・Intangible assets

These leases are mainly software (other) of the Company's consolidated subsidiaries.

2) Depreciation of leased assets

Leased assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	936	1,245	10,172
Due after one year	1,679	1,939	15,843
Total	2,616	3,184	26,016

(Financial Instruments)

1. Overview of financial instruments

(1) Basic policy on managing financial instruments

The Group invests temporary surplus funds and funds reserved for future business expansion mainly in highly safe financial assets, according to the Group’s cash management plan. The method of fund raising is determined based upon the use of funds and financing environment. The Group utilizes derivative transactions only to hedge foreign exchange rate fluctuation risk and interest rate fluctuation risk, and does not use them for trading or speculative purposes.

(2) The nature and risk of financial instruments

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies are also exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Securities and investment securities consist mainly of equity securities issued by companies with whom the Group has business alliances and equity or debt securities held for the purpose of short-term investment of temporary surplus funds and reserved funds. Investments in money held in trust are also held for the purpose of investment of reserved funds. These investments are exposed to market risk. A part of securities, investment securities, and investments in money held in trust are denominated in foreign currencies, and they are exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Notes and accounts payable - trade, which are operating payables, are mostly due within one year. Some of them are denominated in foreign currencies and exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Short-term loans payable, which are made to obtain working capital, are due within one year after the end of the current fiscal year.

As for derivative transactions, forward foreign exchange contracts are entered into for the purpose of hedging foreign exchange risk deriving from operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies. For the hedging instruments and hedged items under the hedge accounting, hedging policy, and the method of assessing the hedge effectiveness, please refer to “Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements, 4. Accounting policies, (6) Significant hedge accounting” prescribed above.

(3) Risk management structure regarding financial instruments

1) Management of credit risk (customers’ default risk, etc.)

For operating receivables, the Company reviews the creditworthiness of customers by monitoring their financial status on a daily and continuous basis in accordance with the internal regulations for credit exposure management. At the same time, it endeavors to early identify and mitigate any concern on the collection of receivables due to deteriorated financial conditions by managing due dates and balances for each customer and appropriately reviewing the credit lines. The Company’s consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company’s internal rules for credit exposure management. The credit risk associated with debt securities is immaterial since the Group invests mainly in debt securities with high credit ratings.

Derivative transactions are entered into only with highly rated financial institutions in order to mitigate counterparty risk.

As of the end of the current fiscal year, the maximum credit risk amount is presented as the consolidated balance sheet amounts of financial assets that are exposed to credit risk.

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

The Company utilizes forward foreign exchange contracts for foreign exchange risk identified by currency and by month in relation to operating receivables and payables denominated in foreign currency, loans payable denominated in foreign currencies and securities denominated in foreign currencies in accordance with the internal rules for market risk management. Some of the Company’s consolidated subsidiaries also manage market risk in the same manner in accordance with the Company’s internal rules for market risk management.

For securities and investment securities, market prices and the financial position of the issuers are periodically monitored and reported to directors in charge in accordance with the internal rules for market risk management. In addition, the holding status of shares issued by companies with business relationships is continuously reviewed in consideration of the relationships with those companies.

Derivative transactions are reported to directors in charge on a daily basis as well as to the Board of Directors in accordance with the internal rules for derivative transactions that define the authorization policy and limits of transactions. The Company’s consolidated subsidiaries also manage derivative transactions in the same manner in accordance with the Company’s internal rules.

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

Liquidity risk of the Company and its consolidated subsidiaries is managed by the Finance and Treasury Departments, preparing and updating the cash management plan based upon reports from each department as well as by maintaining certain level of liquidity.

(4) Supplementary explanation concerning fair values of financial instruments, etc.

The notional amounts of derivative transactions in Note “Derivative Transactions” do not, in themselves, indicate the market risk associated with the derivative transactions.

2. Fair value of financial instruments

The table below presents the amounts of financial instruments recorded in the consolidated balance sheet and their fair values, as well as their differences.

As of March 31, 2021

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	73,670	73,670	-
(2) Notes and accounts receivable-trade	34,024		
Allowance for doubtful accounts (*1)	(2,510)		
	31,514	31,514	-
(3) Securities and investment securities(*3)			
Trading securities	1,307	1,307	-
Available-for-sale securities	55,987	55,987	-
(4) Investments in money held in trust	1,812	1,812	-
Assets, total	164,293	164,293	-
(1) Notes and accounts payable-trade	16,356	16,356	-
(2) Short-term loans payable	6,058	6,058	-
(3) Current portion of long-term loans payable	3,520	3,519	(0)
(4) Long-term loans payable	15,056	14,740	(315)
Liabilities, total	40,991	40,674	(316)
Derivative transactions (*2)			
for which hedge accounting is not applied	(62)	(62)	-
for which hedge accounting is applied	(5)	(5)	-

(*1): The deducted amount includes general and specific allowance for doubtful accounts relating to notes and accounts receivable - trade.

(*2): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

(*3): The following financial instruments are not included in “(3) Securities and investment securities” because their market prices are not available and their fair values cannot be reliably determined. The recorded amounts of those financial instruments on the consolidated balance sheet are as follows.

Classification	As of March 31, 2021
	(Millions of yen)
Unlisted shares and investments in business partnerships with limited liability	1,984

As of March 31, 2022

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	35,292		
Allowance for doubtful accounts (*3)	(2,445)		
	32,847	32,847	-
(2) Securities and investment securities (*2)			
Trading securities	598	598	-
Available-for-sale securities	61,469	61,469	-
(3) Investments in money held in trust	1,712	1,712	-
Assets, total	96,626	96,626	-
(1) Notes and accounts payable-trade	21,164	21,164	-
(2) Short-term loans payable	2,185	2,185	-
(3) Current portion of long-term loans payable	16,402	16,433	31
(4) Long-term loans payable	-	-	-
Liabilities, total	39,752	39,783	31
Derivative transactions (*4) for which hedge accounting is not applied	(72)	(72)	-

As of March 31, 2022

	Consolidated balance sheet amount (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
(1) Notes and accounts receivable - trade, and contract assets	288,311		
Allowance for doubtful accounts (*3)	(19,974)		
	268,336	268,336	-
(2) Securities and investment securities (*2)			
Trading securities	4,890	4,890	-
Available-for-sale securities	502,158	502,158	-
(3) Investments in money held in trust	13,986	13,986	-
Assets, total	789,371	789,371	-
(1) Notes and accounts payable-trade	172,896	172,896	-
(2) Short-term loans payable	17,856	17,856	-
(3) Current portion of long-term loans payable	133,993	134,253	259
(4) Long-term loans payable	-	-	-
Liabilities, total	324,746	325,005	259
Derivative transactions (*4) for which hedge accounting is not applied	(590)	(590)	-

(*1): "Cash and deposits" are omitted because they are cash and because fair values of deposits approximate their book values since deposits are settled in a short period of time.

(*2): Stocks, etc. without market prices and investments in business partnerships with limited liability are not included in "(2) Securities and investment securities." The recorded amounts of those financial instruments on the consolidated balance sheet are as follows.

Classification	As of March 31, 2022	
	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted shares	1,454	11,886
Investments in business partnerships with limited liability	561	4,584

(*3): The deducted amount includes general and specific allowance for doubtful accounts relating to notes and accounts receivable - trade, and contract assets.

(*4): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

(Notes) 1. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated balance sheet date

As of March 31, 2021

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	73,670	-	-	-
Notes and accounts receivable-trade	33,965	58	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	555	8,142	1,539	1,771
Total	108,192	8,201	1,539	1,771

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	88,687	-	-	-
Notes and accounts receivable-trade, and contract assets	35,202	89	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	1,539	7,941	2,793	1,958
(3) Other	1,468	367	367	-
Total	126,897	8,398	3,160	1,958

As of March 31, 2022

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to five years (Thousands of U.S. dollars)	Due after five years and up to ten years (Thousands of U.S. dollars)	Due after ten years (Thousands of U.S. dollars)
Cash and deposits	724,508	-	-	-
Notes and accounts receivable-trade, and contract assets	287,578	732	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	12,574	64,872	22,816	16,000
(3) Other	12,000	3,000	3,000	-
Total	1,036,660	68,605	25,816	16,000

2. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts after the consolidated balance sheet date

As of March 31, 2021

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Short-term loans payable	6,058	-	-	-	-
Long-term loans payable	3,520	15,056	-	-	-
Total	9,578	15,056	-	-	-

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Short-term loans payable	2,185	-	-	-	-
Long-term loans payable	16,402	-	-	-	-
Total	18,587	-	-	-	-

As of March 31, 2022

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)
Short-term loans payable	17,856	-	-	-	-
Long-term loans payable	133,993	-	-	-	-
Total	151,849	-	-	-	-

3. Matters related to the breakdown of fair values of financial instruments by levels and other matters

Fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs used to measure fair value.

Level 1 fair value:

Fair value measured by quoted prices for assets and liabilities subject to the measurement of fair value formed in active markets that are observable inputs related to fair value measurement

Level 2 fair value:

Fair value measured by using observable inputs related to fair value measurement other than inputs related to Level 1 fair value measurement

Level 3 fair value:

Fair value measured by using unobservable inputs related to fair value measurement

If multiple inputs are used that significantly affect the measurement of fair value, the fair value is categorized into the lowest priority level in fair value measurement among levels of those inputs.

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

As of March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Trading securities	598	–	–	598
Available-for-sale securities				
Stocks	41,333	–	–	41,333
Corporate bonds	–	16,704	–	16,704
Other	–	891	1,219	2,111
Derivative transactions				
Currency-related transactions	–	2	–	2
Assets, total	41,932	17,598	1,219	60,750
Derivative transactions				
Currency-related transactions	–	(74)	–	(74)
Liabilities, total	–	(74)	–	(74)

As of March 31, 2022

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Trading securities	4,890	–	–	4,890
Available-for-sale securities				
Stocks	337,664	–	–	337,664
Corporate bonds	–	136,464	–	136,464
Other	–	7,284	9,962	17,247
Derivative transactions				
Currency-related transactions	–	20	–	20
Assets, total	342,555	143,769	9,962	496,287
Derivative transactions				
Currency-related transactions	–	(611)	–	(611)
Liabilities, total	–	(611)	–	(611)

(*1): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	−	32,847	−	32,847
Assets, total	−	32,847	−	32,847
Notes and accounts payable-trade	−	21,164	−	21,164
Short-term loans payable	−	2,185	−	2,185
Current portion of long-term loans payable	−	16,433	−	16,433
Liabilities, total	−	39,783	−	39,783

As of March 31, 2022

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	−	268,336	−	268,336
Assets, total	−	268,336	−	268,336
Notes and accounts payable-trade	−	172,896	−	172,896
Short-term loans payable	−	17,856	−	17,856
Current portion of long-term loans payable	−	134,253	−	134,253
Liabilities, total	−	325,005	−	325,005

(Notes) 1. Valuation techniques used in measurement of fair value and explanation of inputs pertaining to the measurement of fair value

(1) Securities and investment securities

Listed shares, corporate bonds and other bonds are valued using quoted prices. Since listed shares are transacted in active markets, their fair value is categorized as Level 1 fair value. On the other hand, corporate bonds and other bonds held by the Company and its consolidated subsidiaries are categorized as Level 2 fair value since the frequency of transactions in the market is low and their quoted prices cannot be recognized as being in active markets. Note that some other bonds are measured at prices using significant unobservable inputs and categorized as Level 3 fair value.

(2) Derivative transactions

The fair value is measured based on the prices provided by counterparty financial institutions and categorized as Level 2 fair value.

(3) Notes and accounts receivable - trade, and contract assets

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, measured based on credit risk and the historical rate of credit loss, and categorized as Level 2 fair value.

(4) Notes and accounts payable-trade, and short-term loans payable

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, and categorized as Level 2 fair value.

(5) Current portion of long-term loans payable

The fair value of these is measured using the discounted present value method based on the total amount of principal and interest and at an interest rate that takes account of the term to maturity and credit risk of such liabilities, and is categorized as Level 2 fair value.

2. Matters concerning Level 3 fair value for financial instruments recorded at fair value on the consolidated balance sheet

(1) Reconciliation between the balance at beginning of period and end of period

(Millions of yen)

	Securities and investment securities Available-for-sale securities Other	Total
Balance at beginning of period	1,131	1,131
Profit (loss) or other comprehensive income		
Recorded in profit (loss)	–	–
Recorded in other comprehensive income	88	88
Purchase, sales, issuance and settlement	–	–
Transfer to Level 3	–	–
Transfer from Level 3	–	–
Balance at end of period	1,219	1,219

(Thousands of U.S. dollars)

	Securities and investment securities Available-for-sale securities Other	Total
Balance at beginning of period	9,243	9,243
Profit (loss) or other comprehensive income		
Recorded in profit (loss)	–	–
Recorded in other comprehensive income(*1)	719	719
Purchase, sales, issuance and settlement	–	–
Transfer to Level 3	–	–
Transfer from Level 3	–	–
Balance at end of period	9,962	9,962

(*1) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" in the consolidated statement of comprehensive income.

(2) Description of method of measuring fair value

The Company and its consolidated subsidiaries evaluate fair value using quoted prices obtained from third parties. The Finance and Treasury Departments confirm the valuation techniques and inputs that are used, compare the movements in fair value of similar observable inputs and verify the appropriateness of the price.

3. Transitional measures were applied in line with paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement," so investment trusts, etc. (carrying value on the consolidated balance sheet: ¥3,031 million ($24,767 thousand)) are not included in "Available-for-sale securities" under securities and investment securities.

(Securities and Investment Securities)

1. Trading securities

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference included in profit or loss	(119)	(72)	(595)

2. Available-for-sale securities

As of March 31, 2021

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost	(1) Shares	35,584	9,259	26,325
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	11,009	10,606	402
	(3) Other	1,212	774	437
	Subtotal	47,806	20,640	27,166
Securities whose carrying value does not exceed their acquisition cost	(1) Shares	237	384	(146)
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	7,771	7,926	(154)
	(3) Other	171	171	-
	Subtotal	8,180	8,481	(300)
Total		55,987	29,121	26,865

(Note) Unlisted shares and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥1,984 million) are not included in the above table of "Available-for-sale securities" as their market prices are not available and their fair values cannot be reliably determined.

As of March 31, 2022

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost	(1) Shares	41,008	9,258	31,749
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	2,250	2,228	21
	3) Other	612	612	0
	(3) Other	1,319	856	462
	Subtotal	45,190	12,955	32,235
Securities whose carrying value does not exceed their acquisition cost	(1) Shares	325	407	(82)
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	14,454	15,409	(955)
	3) Other	1,498	1,591	(92)
	(3) Other	–	–	–
	Subtotal	16,278	17,408	(1,130)
Total		61,469	30,364	31,104

As of March 31, 2022

	Type	Carrying value (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Securities whose carrying value exceeds their acquisition cost	(1) Shares	335,006	75,632	259,374
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	18,384	18,205	179
	3) Other	5,001	5,000	1
	(3) Other	10,781	7,000	3,781
	Subtotal	369,174	105,837	263,336
Securities whose carrying value does not exceed their acquisition cost	(1) Shares	2,658	3,331	(672)
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	118,080	125,887	(7,806)
	3) Other	12,245	13,000	(754)
	(3) Other	–	–	–
	Subtotal	132,984	142,218	(9,234)
Total		502,158	248,055	254,102

(Note) Shares, etc. without market prices (carrying value on the consolidated balance sheet: ¥1,454 million ($11,886 thousand)) and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥561 million ($4,584 thousand)) are not included in the above table of "Available-for-sale securities."

3. Available-for-sale securities sold

Fiscal year ended March 31, 2021

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	329	255	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	4,891	22	61
(3) Other	-	-	-
Total	5,220	278	61

Fiscal year ended March 31, 2022

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	30	10	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	1,085	7	15
(3) Other	189	-	-
Total	1,304	17	15

Fiscal year ended March 31, 2022

Type	Sales proceeds (Thousands of U.S. dollars)	Aggregate gains on sales (Thousands of U.S. dollars)	Aggregate losses on sales (Thousands of U.S. dollars)
(1) Shares	248	82	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	8,864	62	125
(3) Other	1,544	-	-
Total	10,658	145	125

4. Impairment loss recognized on securities

Fiscal year ended March 31, 2021

For the fiscal year ended March 31, 2021, impairment loss of ¥320 million was recognized for securities for available-for-sale securities - bonds.

Fiscal year ended March 31, 2022

For the fiscal year ended March 31, 2022, impairment loss of ¥1 million ($8 thousand) was recognized for securities (¥1 million ($8 thousand) for available-for-sale securities - shares).

Impairment loss is recognized for all the securities whose fair value at the end of the fiscal year declines by 50% or more of their acquisition cost. It is also recognized when the fair value declines by approximately 30% to 50% of the acquisition cost at the amount deemed necessary considering the recoverability of the fair value of the security.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Currency-related transactions:

As of March 31, 2021

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	966	–	(28)	(28)
	EUR	147	–	(8)	(8)
	Buy:				
	USD	59	–	0	0
	JPY	933	–	(24)	(24)
Total		2,106	–	(62)	(62)

(Note) Methods of fair value measurement

Fair values are calculated based on the prices provided by counterparty financial institutions.

As of March 31, 2022

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	606	–	(4)	(4)
	EUR				
	Buy:				
	USD	132	–	2	2
	JPY	1,503	–	(69)	(69)
Total		2,242	–	(72)	(72)

As of March 31, 2022

Classification	Type of transaction	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	4,957	–	(39)	(39)
	Buy:				
	USD	1,081	–	20	20
	JPY	12,279	–	(571)	(571)
Total		18,318	–	(590)	(590)

2. Derivative transactions for which hedge accounting is applied

Interest-rate-related transactions:

As of March 31, 2021

Hedge accounting	Type of transaction	Hedged item	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)
Deferred hedge accounting	Interest rate swaps: Receive floating/ Pay fixed	Long-term loans payable	3,450	—	(5)

(Note) Methods of fair value measurement

Fair values are calculated based on the prices provided by counterparty financial institutions.

As of March 31, 2022

Not applicable.

(Retirement Benefit Plans)

1. Overview of retirement benefit plan adopted by the Company

To prepare for the payment of employees' retirement benefits, the Company and its consolidated subsidiaries adopted funded and unfunded defined benefit plans, and a defined contribution plan.

Under the defined benefit corporate pension plans, all of which are funded, the Company provides lump-sum or pension benefits based on salaries and length of service.

In addition, retirement benefit trusts are set up for said corporate pension plans of the Company.

Under the lump-sum retirement benefit plans, which are principally unfunded and partially funded as a result of the setup of retirement benefit trusts, the Company provides lump-sum benefits based on salaries and length of service.

Since the end of the current fiscal year, certain consolidated subsidiaries have changed the calculation method of the retirement benefit obligations from the simplified method to the principle method. This change was made in order to improve the accuracy of the calculation of the amount of retirement benefit obligations and to enable more appropriate periodic accounting of profit and loss of retirement benefit expenses, following an increase in the number of employees.

Under the defined benefit corporate pension plans and the lump-sum retirement benefit plans for certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit plan

(1) Reconciliation between retirement benefit obligations at beginning of period and end of period

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation at beginning of period	23,523	24,001	196,075
Current service costs	1,191	1,207	9,860
Interest costs	150	176	1,437
Actuarial gains and losses arising during period	(302)	(142)	(1,167)
Retirement benefits paid	(611)	(852)	(6,960)
Past service costs	-	97	794
Amount transferred due to change from simplified accounting method to principle method	-	229	1,876
Expenses associated with change from simplified accounting method to principle method	-	(223)	(1,823)
Effect of exchange rate changes	50	27	223
Retirement benefit obligation at end of period	24,001	24,520	200,317

(2) Reconciliation between plan assets at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at beginning of period	21,924	25,756	210,413
Expected return on plan assets	318	365	2,989
Actuarial gains and losses arising during period	3,093	53	439
Contributions from employer	894	905	7,395
Retirement benefits paid	(487)	(787)	(6,435)
Effect of exchange rate changes	13	(9)	(81)
Plan assets at end of period	25,756	26,283	214,720

(3) Reconciliation between net defined benefit liabilities for plans to which simplified method is applied at beginning of period and end of period

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net defined benefit liability at beginning of period	281	462	3,778
Retirement benefit expenses	52	33	273
Retirement benefits paid	(19)	(240)	(1,965)
Amounts transferred due to change from simplified accounting method to principle method	-	(97)	(794)
Extra retirement payments	157	-	-
Other	(15)	55	453
Effect of exchange rate changes	5	11	95
Net defined benefit liability at end of period	462	225	1,841

(4) Reconciliation between retirement benefit obligation and plan assets at end of period, and defined benefit liability and defined benefit asset for retirement recognized on the consolidated balance sheet

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation for funded plans	24,001	24,520	200,317
Plan assets	(25,756)	(26,283)	(214,720)
	(1,755)	(1,763)	(14,403)
Retirement benefit obligation for unfunded plans	462	225	1,841
Net balance of liability and asset recognized on the consolidated balance sheet	(1,292)	(1,537)	(12,562)
Net defined benefit liability	4,098	4,054	33,123
Net defined benefit asset	(5,391)	(5,592)	(45,685)
Net balance of liability and asset recognized on the consolidated balance sheet	(1,292)	(1,537)	(12,562)

(5) Retirement benefit expenses and their breakdown

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Current service costs	1,191	1,207	9,860
Interest costs	150	176	1,437
Expected return on plan assets	(318)	(365)	(2,989)
Amortization of actuarial gains and losses	628	1,044	8,530
Amortization of past service costs	(0)	(17)	(139)
Expenses associated with change from simplified accounting method to principle method	–	229	1,876
Other	(47)	(53)	(436)
Retirement benefit expenses applying simplified method	52	33	273
Retirement benefit expenses under defined benefit plans	1,657	2,254	18,413

(Note) In addition to the above, for the fiscal year ended March 31, 2021, ¥1,490 million in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.

In addition to the above, for the fiscal year ended March 31, 2022, ¥118 million ($965 thousand) in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.

(6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before tax effect) in the consolidated statement of comprehensive income is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Past service costs	0	17	139
Actuarial gains and losses	(4,025)	(1,240)	(10,137)
Total	(4,024)	(1,223)	(9,998)

(7) Accumulated remeasurements of defined benefit plans

The breakdown of the amount recognized in accumulated remeasurements of defined benefit plans (before tax effect) on the consolidated balance sheet is as follows:

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized past service costs	(73)	(56)	(464)
Unrecognized actuarial gains and losses	2,093	866	7,075
Total	2,019	809	6,610

(8) Plan assets

1) Breakdown of plan assets

Percentage of each main category to total plan assets is as follows:

	As of March 31, 2021	As of March 31, 2022
Bonds	31%	29%
Securities	35%	35%
Cash and deposits	6%	6%
Alternative investments (Note 1)	23%	25%
Other	5%	5%
Total (Note 2)	100%	100%

(Notes) 1. Alternative investments mainly consist of investment to hedge funds.

2. Total plan assets include retirement benefit trusts of 7% and 7% that are set up for a corporate pension plan as of March 31, 2021 and 2022, respectively.

2) Determination of expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation, and the current and expected long-term rate of return on various asset categories comprising plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculation

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Discount rate	0.5～0.6%	0.5～0.7%
Long-term expected rate of return	1.5%	1.5%
Expected rate of salary increase	2.9%	2.9%

3. Defined contribution plan

The required contribution to the defined contribution plan amounts to ¥356 million and ¥372 million ($3,038 thousand) for the fiscal years ended March 31, 2021 and 2022, respectively.

(Tax Effect Accounting)

1. Breakdown of major reasons for deferred tax assets and deferred tax liabilities

	As of March 31, 2021	As of March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:			
Net losses carried forward (Note 2)	4,549	4,577	37,390
Allowance for doubtful accounts	560	574	4,693
Provision for bonuses	617	776	6,341
Provision for product warranties	309	357	2,921
Net defined benefit liability	1,182	1,294	10,571
Provision and accrual for directors' retirement benefits	100	95	778
Loss on valuation of inventories	1,390	1,582	12,931
Research and development expenses	1,362	1,761	14,392
Impairment loss	371	275	2,252
Deferred revenue	444	416	3,402
Elimination of unrealized income on inventories	659	925	7,557
Other	3,387	4,743	38,755
Total gross deferred tax assets	14,935	17,380	141,987
Valuation allowance for tax losses carried forward (Note 2)	(4,431)	(3,664)	(29,936)
Valuation allowance for total amount of deductible temporary differences	(4,875)	(4,613)	(37,690)
Valuation allowance (Note 1)	(9,306)	(8,278)	(67,627)
Total deferred tax assets	5,628	9,102	74,360
Deferred tax liabilities:			
Net defined benefit asset	(1,130)	(1,274)	(10,414)
Valuation difference on available-for-sale securities	(8,089)	(9,765)	(79,777)
Retained earnings of subsidiaries and associates	(1,386)	(1,723)	(14,079)
Other	(32)	(26)	(214)
Total deferred tax liabilities	(10,638)	(12,790)	(104,485)
Net deferred tax assets (liabilities)	(5,010)	(3,687)	(30,125)

(Notes) 1. There is no significant change in the valuation allowance.

2. The amounts of tax losses carried forward and deferred tax assets by carry-forward expiry period are as follows:

As of March 31, 2021

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*1)	109	399	114	212	252	3,459	4,549
Valuation allowance	45	399	114	212	252	3,406	4,431
Deferred tax assets	64	–	–	–	–	53	117

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*1)	347	86	215	259	329	3,337	4,577
Valuation allowance	184	7	44	105	40	3,282	3,664
Deferred tax assets	163	79	171	154	289	54	912

As of March 31, 2022

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Tax losses carried forward (*1)	2,841	708	1,763	2,118	2,693	27,264	37,390
Valuation allowance	1,504	61	362	857	332	26,817	29,936
Deferred tax assets	1,337	647	1,401	1,260	2,361	446	7,454

(*1) The amounts of tax losses carried forward are multiplied by the statutory tax rate.

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

	As of March 31, 2021	As of March 31, 2022
Statutory tax rate	30.6%	30.6%
Reconciliation:		
Increase (decrease) in valuation allowance for deferred tax assets	(236.2)	(6.5)
Non-taxable income for income tax purposes (e.g. dividend income)	(67.6)	(0.5)
Non-deductible expenses for income tax purposes (e.g. entertainment expenses)	606.7	2.6
Inhabitant tax on per capita basis	39.6	0.3
Tax deductions related to R&D activities	(132.4)	(5.2)
Different tax rates applied to consolidated subsidiaries	293.3	(3.2)
Amortization of goodwill	81.9	0.3
Share of profit (loss) of entities accounted for using equity method	20.9	0.2
Retained earnings of subsidiaries and associates	109.1	2.1
Gain on change in ownership interest in equity	(117.3)	-
Other	(2.2)	(0.6)
Effective tax rate after application of tax effect accounting	626.5	19.9

(Revenue Recognition)

1. Information on disaggregation of revenue from contracts with customers

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment				Other businesses (Note)	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total		
Halogen lamps	10,450	−	−	10,450	−	10,450
Discharge lamps	38,334	−	−	38,334	−	38,334
Solid-state light sources	9,026	−	−	9,026	−	9,026
UV equipment	−	28,812	−	28,812	−	28,812
Optical equipment and other	−	19,293	−	19,293	−	19,293
Cinema equipment	−	−	17,017	17,017	−	17,017
General imaging equipment	−	−	19,729	19,729	−	19,729
Other	−	−	−	−	3,450	3,450
Revenue from contracts with customers	57,811	48,105	36,746	142,663	3,450	146,114
Other revenue	−	280	2,426	2,707	−	2,707
Sales to external customers	57,811	48,386	39,173	145,371	3,450	148,821

(Thousands of U.S. dollars)

	Reportable segment				Other businesses (Note)	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total		
Halogen lamps	85,373	−	−	85,373	−	85,373
Discharge lamps	313,161	−	−	313,161	−	313,161
Solid-state light sources	73,740	−	−	73,740	−	73,740
UV equipment	−	235,377	−	235,377	−	235,377
Optical equipment and other	−	157,610	−	157,610	−	157,610
Cinema equipment	−	−	139,019	139,019	−	139,019
General imaging equipment	−	−	161,176	161,176	−	161,176
Other	−	−	−	−	28,189	28,189
Revenue from contracts with customers	472,275	392,988	300,195	1,165,459	28,189	1,193,649
Other revenue	−	2,292	19,823	22,116	−	22,116
Sales to external customers	472,275	395,281	320,019	1,187,576	28,189	1,215,765

(Note) "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

2. Information that forms the basis for understanding revenue from contracts with customers

(1) Sales of products

For halogen lamps, discharge lamps and solid-state light sources, this is primarily the manufacturing and sales of various lamps. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers. In addition, consideration for transactions is generally received within four months after delivery of the product.

For UV equipment, optical equipment and other, this is primarily the manufacturing and sales of various lithography equipment. For the sales of these products, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer’s acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Further, consideration for transactions is primarily received in stages according to the payment terms of the contract.

For cinema equipment and general imaging equipment, this is primarily the manufacturing and sales of various projectors. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Significant financing components exist when part of the payments represent receivables over a long period, but this is immaterial. In addition, consideration for transactions is generally received within two months after delivery of the product. For some customers, consideration is received in stages according to the payment terms of the contract.

(2) Provision of maintenance services

For UV equipment, optical equipment and other, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. In addition, for optical equipment and some other products, variable consideration corresponding to the product’s capacity utilization rate is included in the transaction price only to the extent that it is highly probable that a material reversal of the cumulative amount of revenues recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Further, consideration for transactions is received in stages, generally corresponding to the progress of performance obligations in accordance with the terms of the contract.

For cinema equipment and general imaging equipment, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. In addition, consideration for transactions is primarily received in stages according to the payment terms of the contract.

3. Information concerning the satisfaction of performance obligations based on contracts with customers and the relationship with the cash flows that arise from such contracts as well as the amount of revenue and timing forecast to be recognized in or after the next fiscal year from contracts with customers that are in place at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities

	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Thousands of U.S. dollars)
Receivables from contracts with customers (at beginning of period)	33,806	276,177
Receivables from contracts with customers (at end of period)	34,415	281,151
Contract assets (at beginning of period)	-	-
Contract assets (at end of period)	-	-
Contract liabilities (at beginning of period)	12,280	100,319
Contract liabilities (at end of period)	14,388	117,547

Contract liabilities for UV equipment, optical equipment and other are related to advances received from customers according to the payment terms of the contract for products that include installation work and for which revenue is recognized when the confirmation of agreed performance such as the customer’s acceptance of the product has been completed. For cinema equipment and general imaging equipment, this primarily refers to advances received from customers according to the payment terms of the contract for maintenance services contracts. Contract liabilities are reversed on recognition of revenue.

The amount of revenue recognized in the current fiscal year that was included in the balance of contract liabilities as of the beginning of the period is ¥8,362 million ($68,311 thousand).

The change in contract liabilities was due to a decrease from the reversals associated with the recognition of revenue and an increase from the receipts from customers. There were no changes in terms causing significant change in the balance.

There was no revenue (primarily, change in transaction price) recognized in the current fiscal year arising from performance obligations satisfied (or partially satisfied) in past periods.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient in describing the transaction price allocated to remaining performance obligations and do not include notes on contracts where the initially expected contract period is one year or less.

(Light sources business)

For the light sources business segment, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

(Optical equipment business)

Performance obligations that have not yet been satisfied (or partially not yet satisfied) were ¥18,864 million ($154,111 thousand) at the end of the current fiscal year. Such performance obligations are related to the manufacturing and sales of products that include installation work in UV equipment, optical equipment and other. Approximately 60% of the revenue is forecast to be recognized within one year from the end of the period, with approximately 30% recognized within two years and the remaining 10% recognized within three years.

(Imaging equipment business)

Such performance obligations are related to the manufacturing and sales of various projectors in cinema equipment and general imaging equipment, with the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue as follows.

	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	547	4,472
Due after one year and up to two years	712	5,824
Due after two years and up to three years	647	5,288
Due after three years and up to four years	566	4,624
Due after four years and up to five years	411	3,360
Due after five years	747	6,107
Total	3,632	29,677

(Segment Information, etc.)

Segment information

1. Summary of reportable segments

The Company defines a reportable segment as a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess its business performance and make decisions about resources to be allocated to the segment.

The Company has a division system based on product type and similarity in sales market, etc., and each division develops and implements comprehensive domestic and overseas strategies for its development, manufacturing and sales of products and service, and engages in its business activities globally.

Thus, reportable segments of the Company are divided into three categories based on product type and sales market.

"Light sources business" conducts manufacturing and sales of halogen lamps and discharge lamps, etc.

"Optical equipment business" conducts manufacturing and sales of optical equipment, etc.

"Imaging equipment business" conducts manufacturing and sales of imaging equipment, etc.

2. Methods of determining the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting policies for business segment reported are generally consistent with those given in "Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements."

Segment profit presents the operating profit of the segment.

Intersegment sales and transfers are recognized based on the market price.

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment				Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Optical equipment business	Imaging equipment business	Total				
Net sales								
Sales to external customers	45,774	38,999	31,052	115,826	2,732	118,558	–	118,558
Intersegment sales or transfers	58	42	10	111	31	143	(143)	–
Total	45,833	39,041	31,063	115,938	2,763	118,701	(143)	118,558
Segment profit (loss)	3,232	845	(3,491)	587	56	644	120	764
Segment assets	98,804	68,183	49,424	216,412	60,439	276,852	13,422	290,275
Other items:								
Depreciation	2,775	2,053	2,124	6,953	35	6,988	–	6,988
Amortization of goodwill	177	182	–	359	–	359	–	359
Investment in associates under equity method	–	221	–	221	–	221	–	221
Increase in property, plant and equipment and intangible assets (Note 4)	2,031	3,977	459	6,468	417	6,886	–	6,886

(Notes) 1. "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥120 million, include elimination of intersegment transactions totaling ¥150 million.

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥13,422 million, include elimination of intersegment receivables and payables totaling ¥(10,250) million and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥23,786 million that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment				Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Optical equipment business	Imaging equipment business	Total				
Net sales								
Sales to external customers	57,811	48,386	39,173	145,371	3,450	148,821	—	148,821
Intersegment sales or transfers	9	24	7	41	36	77	(77)	—
Total	57,820	48,410	39,180	145,412	3,486	148,899	(77)	148,821
Segment profit (loss)	8,288	4,620	(53)	12,855	112	12,968	100	13,068
Segment assets	101,016	84,888	51,325	237,230	67,260	304,490	16,605	321,096
Other items:								
Depreciation	3,025	2,206	1,671	6,903	36	6,939	—	6,939
Amortization of goodwill	52	110	—	163	—	163	—	163
Investment in associates under equity method	—	191	—	191	—	191	—	191
Increase in property, plant and equipment and intangible assets (Note 4)	1,831	3,600	1,673	7,104	274	7,378	—	7,378

Fiscal year ended March 31, 2022

(Thousands of U.S. dollars)

	Reportable segment				Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Optical equipment business	Imaging equipment business	Total				
Net sales								
Sales to external customers	472,275	395,281	320,019	1,187,576	28,189	1,215,765	-	1,215,765
Intersegment sales or transfers	79	199	58	337	295	632	(632)	-
Total	472,355	395,480	320,077	1,187,913	28,484	1,216,398	(632)	1,215,765
Segment profit (loss)	67,710	37,742	(433)	105,020	920	105,940	822	106,762
Segment assets	825,227	693,478	419,293	1,937,999	549,465	2,487,465	135,656	2,623,121
Other items:								
Depreciation	24,714	18,025	13,656	56,396	295	56,692	-	56,692
Amortization of goodwill	427	904	-	1,332	-	1,332	-	1,332
Investment in associates under equity method	-	1,565	-	1,565	-	1,565	-	1,565
Increase in property, plant and equipment and intangible assets(Note 4)	14,959	29,410	13,669	58,039	2,239	60,278	-	60,278

(Notes) 1. "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥100 million ($822 thousand), include elimination of intersegment transactions totaling ¥107 million ($876 thousand).

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥16,605 million ($135,656 thousand), include elimination of intersegment receivables and payables totaling ¥(9,597) million ($(78,403) thousand) and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥26,321 million ($215,030 thousand) that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of

income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Related information

Fiscal year ended March 31, 2021

1. Information by product and service

Information by product and service has been omitted as the similar information is disclosed in the segment information.

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
35,385	19,289	851	8,553	29,614	24,112	751	118,558

(Note) Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
32,179	6,780	1,698	1,157	3,004	2	44,822

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2022

1. Information by product and service

Information by product and service has been omitted as the similar information is disclosed in the segment information.

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
39,955	28,296	1,278	11,244	37,364	30,054	627	148,821

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
326,404	231,165	10,442	91,862	305,242	245,527	5,122	1,215,765

(Note) Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
32,502	7,470	1,430	1,366	3,391	–	46,162

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
265,525	61,026	11,689	11,160	27,707	6	377,116

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Information on impairment loss on non-current assets by reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Impairment loss	111	112	445	669	–	–	669

(Note) The impairment losses recorded in the consolidated statement of income as business structure improvement expenses are as follows.

"Optical equipment business"　¥81 million

"Imaging equipment business"　¥445 million

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Impairment loss	14	58	91	164	–	–	164

Fiscal year ended March 31, 2022

(Thousands of U.S. dollars)

	Reportable segment				Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total			
Impairment loss	122	474	744	1,341	–	–	1,341

Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment				Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total			
Amortization for the year	177	182	–	359	–	–	359
Balance	126	208	–	335	–	–	335

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment				Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total			
Amortization for the year	52	110	–	163	–	–	163
Balance	137	97	–	235	–	–	235

Fiscal year ended March 31, 2022

(Thousands of U.S. dollars)

	Reportable segment				Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total			
Amortization for the year	427	904	–	1,332	–	–	1,332
Balance	1,126	797	–	1,924	–	–	1,924

Information on gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

Related party information

Fiscal year ended March 31, 2021

1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

Fiscal year ended March 31, 2022

1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

(Per Share Information)

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
Net assets per share ¥1,750.79 Basic loss per share (¥5.70) Diluted earnings per share is not presented since the Company posted a basic loss per share and no potential shares exist.	Net assets per share ¥1,949.73 Basic earnings per share ¥104.54 Diluted earnings per share is not presented since no potential shares exist.	Net assets per share $15.92 Basic earnings per share $0.85 Diluted earnings per share is not presented since no potential shares exist.

(Notes) 1. The basis used for calculating basic earnings (loss) per share is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit (loss) attributable to owners of the parent	(687)	12,606	102,986
Profit (loss) not attributable to common shareholders	-	-	-
Profit (loss) attributable to owners of the parent attributable to common shares	(687)	12,606	102,986
Average number of common shares outstanding during the year (Shares)	120,551,331	120,586,712	120,586,712

2. The Company’s shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders’ equity which are deducted from the total number of shares issued at the balance sheet date for the purpose of calculating net assets per share (251,200 shares and 234,000 shares as of March 31, 2021 and 2022, respectively).
   The Company’s shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders’ equity which are deducted from the weighted-average number of shares outstanding during the year for the purpose of calculating the basic earnings (loss) per share (276,995 shares and 238,895 shares for the fiscal years ended March 31, 2021 and 2022, respectively).

(Subsequent Events)

Purchase of treasury shares

In accordance with the resolution by the Board of Directors meeting held on May 11, 2022 to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, paragraph 3 of the Companies Act, the Company has made the purchase of treasury shares as follows:

(1) Reason for purchase of treasury shares

To raise capital efficiency and enable the implementation of an agile capital policy.

(2) Details of purchase

Type of shares to be purchased:	Common shares of the Company
Total number of shares to be purchased:	3,000,000 shares (maximum)
Total amount of shares to be purchased:	¥5,000,000,000 ($40,846 thousand) (maximum)
Purchase period:	May 12, 2022 to December 23, 2022

(3) Results of purchase

Type of shares purchased:	Common shares of the Company
Total number of shares purchased:	1,865,000 shares
Total amount of shares purchased:	¥3,170,865,000 ($25,903 thousand)
Purchase period:	May 12, 2022 to June 23, 2022
Purchasing method:	Market purchase on the Tokyo Stock Exchange

5) 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)	Balance at beginning of current period (Thousands of U.S. dollars)	Balance at end of current period (Thousands of U.S. dollars)	Average interest rate (%)	Repayment term
Short-term loans payable	6,058	2,185	49,491	17,856	0.3	-
Current portion of long-term loans payable	3,520	16,402	28,755	133,993	1.8	-
Current portion of lease obligations	80	12	654	105	0.0	-
Long-term loans payable (excluding current portion)	15,056	-	123,001	-	-	-
Lease obligations (excluding current portion)	191	61	1,562	501	0.0	From 2023 to 2035
Total	24,906	18,662	203,465	152,457	-	-

(Notes) 1. The average interest rate represents the weighted-average interest rate over the year-end balance of loans.

2. The average interest rates on lease obligations are omitted for lease obligations which are recorded in the consolidated balance sheet at the amount before deducting interest equivalents included in the total lease payment. The average interest rates of lease obligations for which the standard method is applied is shown on the table above.

3. The redemption schedule for long-term loans payable and lease obligations (excluding current portions) for the five years after the consolidated balance sheet date is as follows:

	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Lease obligations	6	4	4	4

	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)
Lease obligations	55	39	39	39

Annexed detailed schedule of asset retirement obligations

Information is omitted because the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amounts of liabilities and net assets at the beginning and the end of the current fiscal year, in accordance with the provision under Article 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2022

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2022
Net sales (Millions of yen)	34,981	71,594	109,714	148,821
Profit before income taxes (Millions of yen)	4,214	8,468	13,284	15,762
Profit attributable to owners of the parent (Millions of yen)	3,378	6,506	10,187	12,606
Basic earnings per share (Yen)	28.02	53.96	84.48	104.54

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	28.02	25.94	30.52	20.06

Quarterly information for the fiscal year ended March 31, 2022

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2022
Net sales (Thousands of U.S. dollars)	285,773	584,877	896,288	1,215,765
Profit before income taxes (Thousands of U.S. dollars)	34,430	69,184	108,524	128,769
Profit attributable to owners of the parent (Thousands of U.S. dollars)	27,596	53,153	83,222	102,986
Basic earnings per share (U.S. dollars)	0.22	0.44	0.69	0.85

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. dollars)	0.22	0.21	0.24	0.16