Futaba

Futaba Corporation

FINANCIAL STATEMENTS 2022

Year Ended 31st March, 2022

Highlights of the Year Year Ended 31st March, 2022

	Millions of Japanese Yen	
	2022	2021
Net Sales	53,450	48,826
Net Income (Loss) Attributable to Owners of the Parent	(2,668)	(5,430)
Net Income (Loss) per Share (Yen)	(62.92)	(128.02)
Cash Dividends	1,188	1,188

Corporate Data As of 31st March, 2022

Corporate Name	FUTABA CORPORATION	
Founded	1948	
Principal Office	629 Oshiba, Mobara, Chiba Prefecture 297-8588, Japan	
Common Stock	Authorized	196,099,900 shares
	Issued	42,426,739 shares
Capitalized	¥22,559 million	
Shareholders	13,921	
Employees	4,006	

Futaba Corporation and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2022, and Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Futaba Corporation:

Opinion

We have audited the consolidated financial statements of Futaba Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Revenue recognition of Futaba Corporation	
Key audit matter description	**Audit responses**
Futaba Corporation (the "Company") and its consolidated subsidiaries manufacture and sell electronic device products and production equipment. Net sales was ¥53,451 million in the consolidated income statement for the year ended March 31, 2022, of which the Company recorded the largest part of the net sales, and therefore the net sales of the Company is material. Since the Company manufactures and sells standard products as well as customer specific products in response to individual requests from customers, the number of products handled by the Company is diverse. Furthermore, since the selling price is often relatively small, the total of net sales consists of various types of products with small individual sales price. In addition, due to the large number of transactions, a large amount of sales data is daily processed. The process of sales transaction is processed in a core operating system, and the system is designed and built to connect each transaction and master data registered in various sub-systems in the operating process. Specifically, although customer orders are mainly processed via the electronic data interchange and the shipping process is handled based on shipping documents generated from the system, some orders are input and processed manually. The sales amount is automatically calculated based on a standard unit price list manually entered, and product quantities ordered that are also preliminarily entered upon a receipt of customer order and determined manually at the time of shipment. Finally, sales data that is automatically calculated in the core operating system is interfaced to the accounting system, and, as a result, sales transactions are automatically recorded.	In order to address the key audit matter, we performed the following procedures, among others: (1) Evaluation and testing internal controls • In addition to understanding the Company's process flows related to product sales, we evaluated the design and operating effectiveness of controls over entering sales related data, such as customer order, contract terms and master unit price of products in the core system. • With assistance of our IT specialists, we obtained an understanding of the data process flow from the inception of sales transactions to recording in the accounting system, data processing and automated internal controls in IT systems, and we also evaluated the design and operating effectiveness of IT automated controls over the automatically calculation of sales amount based on shipping volume and applicable sales unit price, and the interface between the core operating system and accounting system. • We tested the design and operating effectiveness of general IT controls such as user access controls, system program change management controls and system operation controls of core systems related to product sales. (2) Substantive procedures to address the matter • We performed a trend analysis of sales by major customer and by product to identify unusual trends of sales records. • We obtained an understanding of business unit performance and performed an analysis of relevant indicators such as gross margin ratio to identify unusual trends and items. In addition, we analyzed the length of the period from order receipt to shipment of goods and trends of daily recorded sales data. We, as a result of those analysis, inquired of management for sales transactions that presented unusual trends or movements deviated from our understanding of the Company business and the industry trends and performed detail substantive testing with supporting documents deemed necessary.

We identified the occurrence, accuracy and cut-off of sales as a key audit matter because of the following reasons. The Company's product sales transaction consists of a small amount and a large number of transactions. The operation flow, from processing customer orders to determining sales amount, is mainly performed within the core system, and which includes manual processing as a part of the flow. Therefore, as the frequency of entering data and the number of transactions increases, a lack of updating master data information and input error of basic transaction data and quantity to the system may be more likely to result in those sales being recorded based on inappropriate information.	• We sent and obtained written confirmation letters for a sample of account receivables. Where there were differences identified, we performed further investigation and tested those differences. • We tested the occurrence, accuracy and cut-off of sales by inspecting supporting documents, such as purchase orders, invoices and cash collections of related receivables, for sales transaction selected by statistical sampling.

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

As part of 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with 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 relevant ethical requirements regarding independence, and communicate with it 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.

Deloitte Touche Tohmatsu LLC

August 8, 2022

Futaba Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2022

ASSETS	Millions of Japanese Yen 2022	Millions of Japanese Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 20,582	¥ 25,667	$ 168,168
Marketable securities (Notes 5 and 18)	600	612	4,903
Short-term investments (Notes 6 and 18)	13,045	15,162	106,584
Receivables (Notes 14 and 18):			
Trade notes	1,986	2,021	16,225
Trade accounts	12,566	12,055	102,674
Other	281	124	2,297
Allowance for doubtful receivables	(710)	(709)	(5,803)
Electronically recorded monetary claims (Notes 14 and 18)	914	826	7,468
Inventories (Note 7)	17,497	11,787	142,957
Prepaid expenses and other current assets	1,403	987	11,464
Total current assets	68,164	68,532	556,937
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 8 and 10)	9,751	8,429	79,673
Buildings and structures (Notes 8 and 10)	35,671	35,175	291,452
Machinery and equipment (Note 8)	55,561	54,125	453,970
Lease assets (Notes 8 and 17)	5	5	39
Construction in progress (Note 8)	416	70	3,402
Other	316	395	2,586
Total	101,720	98,199	831,122
Accumulated depreciation	(83,852)	(81,580)	(685,126)
Net property, plant and equipment	17,868	16,619	145,996
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries	20	20	163
Investment securities (Notes 5, 10 and 18)	7,882	9,328	64,401
Goodwill (Note 8)	45	82	369
Intangibles (Note 8)	644	684	5,258
Asset for retirement benefits (Note 11)	4,760	3,726	38,892
Deferred tax assets (Note 13)	443	383	3,616
Other investments (Note 10)	609	832	4,984
Total investments and other assets	14,403	15,055	117,683
TOTAL	¥ 100,435	¥ 100,206	$ 820,616

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2022

LIABILITIES AND EQUITY	Millions of Japanese Yen 2022	Millions of Japanese Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 10)	¥ 191	¥ 190	$ 1,557
Payables (Notes 10 and 18):			
Trade notes	92	213	756
Trade accounts	3,611	2,851	29,502
Unconsolidated subsidiaries	18	16	145
Other	759	688	6,205
Short-term bank loans (Notes 9 and 18)	386	408	3,153
Electronically recorded obligations (Note 18)	1,055	660	8,616
Accrued expenses	3,102	3,115	25,346
Income taxes payable	368	433	3,008
Other current liabilities (Notes 10 and 14)	609	576	4,978
Total current liabilities	10,191	9,150	83,266
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10 and 18)	396	445	3,239
Liability for retirement benefits (Note 11)	525	747	4,293
Retirement allowances for directors	65	60	524
Deferred tax liabilities (Note 13)	2,283	2,112	18,657
Other	187	192	1,524
Total long-term liabilities	3,456	3,556	28,237
CONTINGENT LIABILITIES (Note 20)			
EQUITY (Note 12):			
Common stock—authorized, 196,099,900 shares; issued, 42,426,739 shares in 2022 and 42,426,739 shares in 2021	22,559	22,559	184,317
Capital surplus	21,556	21,559	176,118
Retained earnings	28,555	32,412	233,325
Treasury stock—at cost, 9,444 shares in 2022 and 8,981 shares in 2021	(16)	(16)	(133)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	1,211	1,480	9,895
Foreign currency translation adjustments	242	(2,743)	1,976
Remeasurements of defined benefit plans	1,504	1,631	12,290
Total	75,611	76,882	617,788
Noncontrolling interests	11,177	10,618	91,325
Total equity	86,788	87,500	709,113
TOTAL	¥ 100,435	¥ 100,206	$ 820,616

See notes to consolidated financial statements.

(Concluded)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2022

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET SALES (Notes 3, 14 and 21)	¥53,451	¥48,826	$436,724
COST OF SALES	44,503	41,135	363,617
Gross profit	8,948	7,691	73,107
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	10,812	11,208	88,334
Operating loss	(1,864)	(3,517)	(15,227)
OTHER INCOME (EXPENSES):			
Interest and dividend income	395	410	3,230
Subsidy income	98	502	802
Foreign exchange income (loss)—net	530	(48)	4,333
Gain on sales of property, plant and equipment	565	126	4,618
Loss on sales of property, plant and equipment	(1)	(0)	(12)
Loss on disposals of property, plant and equipment	(2)	(7)	(18)
Loss on valuation of investment securities	(13)	(60)	(105)
Impairment loss (Note 8)	(1,400)	(1,715)	(11,440)
Gain on sales of investment securities	127	64	1,039
Gain on sales of golf memberships		103	
Extra retirement benefits (Note 11)	(25)		(205)
Restructuring loss (Note 16)		(177)	
Other—net	211	139	1,716
Other income (expenses)—net	485	(663)	3,958
LOSS BEFORE INCOME TAXES	(1,379)	(4,180)	(11,269)
INCOME TAXES (Note 13):			
Current	649	690	5,303
Deferred	339	206	2,768
Total income taxes	988	896	8,071
NET LOSS	(2,367)	(5,076)	(19,340)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	302	354	2,467
NET LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (2,669)	¥ (5,430)	$ (21,807)
	Japanese Yen		U.S. Dollars
AMOUNTS PER SHARE (Note 2.r):			
Net loss	¥ (62.92)	¥ (128.02)	$ (0.51)
Cash dividends applicable to the year	28.00	28.00	0.23

See notes to consolidated financial statements.

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2022

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET LOSS	¥(2,367)	¥(5,076)	$(19,340)
OTHER COMPREHENSIVE INCOME (Note 21):			
Unrealized gain (loss) on available-for-sale securities	(286)	2,245	(2,340)
Foreign currency translation adjustments	3,394	3,113	27,733
Remeasurements of defined benefit plans	(78)	1,463	(638)
Total other comprehensive income	3,030	6,821	24,755
COMPREHENSIVE INCOME	¥ 663	¥ 1,745	$ 5,415
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (80)	¥ 503	$ (652)
Noncontrolling interests	743	1,242	6,067

See notes to consolidated financial statements.

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2022

	Thousands	Millions of Japanese Yen				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Subtotal
BALANCE, APRIL 1, 2020	42,419	¥22,559	¥21,561	¥39,030	¥(15)	¥83,135
Net loss attributable to owners of the parent				(5,430)		(5,430)
Cash dividends				(1,188)		(1,188)
Purchase of treasury stock	(1)				(1)	(1)
Disposal of treasury shares	0		(0)		0	
Transfer from retained earnings to capital surplus			0	(0)		
Change in ownership interest of the parent due to transactions with non-controlling interests			(2)			(2)
Net change in the year						
BALANCE, MARCH 31, 2021	42,418	22,559	21,559	32,412	(16)	76,514
Net loss attributable to owners of the parent				(2,669)		(2,669)
Cash dividends				(1,188)		(1,188)
Purchase of treasury stock	(1)				(0)	(0)
Disposal of treasury shares						
Change in ownership interest of the parent due to transactions with non-controlling interests			(3)			(3)
Net change in the year						
BALANCE, MARCH 31, 2022	42,417	¥22,559	¥21,556	¥28,555	¥(16)	¥72,654

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2022

	Millions of Japanese Yen					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjust-ments	Remea-surements of Defined Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, APRIL 1, 2020	¥ (641)	¥(5,056)	¥ 132	¥77,570	¥ 9,556	¥87,126
Net loss attributable to owners of the parent				(5,430)		(5,430)
Cash dividends				(1,188)		(1,188)
Purchase of treasury stock				(1)		(1)
Disposal of treasury shares						
Transfer from retained earnings to capital surplus						
Change in ownership interest of the parent due to transactions with non-controlling interests				(2)		(2)
Net change in the year	2,121	2,313	1,499	5,933	1,062	6,995
BALANCE, MARCH 31, 2021	1,480	(2,743)	1,631	76,882	10,618	87,500
Net loss attributable to owners of the parent				(2,669)		(2,669)
Cash dividends				(1,188)		(1,188)
Purchase of treasury stock				(0)		(0)
Disposal of treasury shares						
Change in ownership interest of the parent due to transactions with non-controlling interests				(3)		(3)
Net change in the year	(269)	2,985	(127)	2,589	559	3,148
BALANCE, MARCH 31, 2022	¥1,211	¥ 242	¥1,504	¥75,611	¥11,177	¥86,788

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2022

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Subtotal
BALANCE, MARCH 31, 2021	$ 184,317	$ 176,146	$ 264,836	$ (130)	$ 625,169
Net loss attributable to owners of the parent			(21,807)		(21,807)
Cash dividends			(9,704)		(9,704)
Purchase of treasury stock				(3)	(3)
Disposal of treasury shares					
Change in ownership interest of the parent due to transactions with non-controlling interests		(28)			(28)
Net change in the year					
BALANCE, MARCH 31, 2022	$ 184,317	$ 176,118	$ 233,325	$ (133)	$ 593,627

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjust-ments	Remea-surements of Defined Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, MARCH 31, 2021	$ 12,091	$ (22,411)	$ 13,326	$ 628,175	$ 86,758	$ 714,933
Net loss attributable to owners of the parent				(21,807)		(21,807)
Cash dividends				(9,704)		(9,704)
Purchase of treasury stock				(3)		(3)
Disposal of treasury shares						
Change in ownership interest of the parent due to transactions with non-controlling interests				(28)		(28)
Net change in the year	(2,196)	24,387	(1,036)	21,155	4,567	25,722
BALANCE, MARCH 31, 2022	$ 9,895	$ 1,976	$ 12,290	$ 617,788	$ 91,325	$ 709,113

See notes to consolidated financial statements.

(Concluded)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2022

	Millions of Japanese Yen 2022	2021	Thousands of U.S. Dollars (Note 1) 2022
OPERATING ACTIVITIES:			
Loss before income taxes	¥(1,379)	¥(4,180)	$(11,269)
Adjustments for:			
Income taxes—paid	(745)	(748)	(6,086)
Income taxes—refund	62	113	503
Depreciation and amortization	1,166	1,233	9,528
Amortization of goodwill	37	37	306
Impairment loss	1,400	1,715	11,440
Increase in provision for doubtful receivables		217	
Increase (decrease) remeasurements of defined benefit plans (Note 3)	(179)	2,169	(1,466)
Increase in asset for retirement benefits	(1,057)	(3,234)	(8,633)
Decrease in liability for retirement benefits	(253)	(171)	(2,070)
Increase (decrease) in accrued bonuses	34	(103)	276
Foreign exchange gain (loss)	(115)	21	(938)
Gain on sales and disposal of property, plant and equipment	(561)	(119)	(4,588)
Gain on sales and valuation of investment securities	(114)	(3)	(934)
Restructuring loss		177	
(Increase) decrease in trade receivables	367	(76)	2,997
Increase (decrease) in inventories	(4,750)	1,862	(38,812)
Increase in trade payables	164	424	1,341
Other—net	(148)	157	(1,199)
Total adjustments	(4,692)	3,671	(38,335)
Net cash used in operating activities	(6,071)	(509)	(49,604)
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	804	171	6,569
Purchases of property, plant and equipment	(3,218)	(1,867)	(26,291)
Purchases of intangible assets (Note 3)	(44)	(136)	(359)
Purchases of investment securities	(200)	(643)	(1,634)
Proceeds from sales and redemption of investment securities	1,367	1,267	11,169
(Increase) decrease in short-term investments and marketable securities—net	3,264	(1,370)	26,672
Gain on sales of golf memberships		103	
Other—net	(626)	86	(5,118)
Net cash provided by (used in) investing activities	1,347	(2,389)	11,008
FORWARD	¥(4,724)	¥(2,898)	$(38,596)

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2022

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
FORWARD	¥ (4,724)	¥ (2,898)	$ (38,596)
FINANCING ACTIVITIES:			
Increase in short-term loans payable	989	247	8,081
Repayments of short-term bank loans	(1,050)	(595)	(8,576)
Repayments of long-term debt	(186)	(154)	(1,521)
Repurchases of treasury stock		(1)	(3)
Dividends paid	(1,189)	(1,192)	(9,718)
Dividends paid to noncontrolling shareholders	(184)	(179)	(1,500)
Other—net		0	
Net cash used in financing activities	(1,620)	(1,874)	(13,237)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,259	854	10,282
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,085)	(3,918)	(41,551)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,667	29,585	209,719
CASH AND CASH EQUIVALENTS, END OF YEAR	¥20,582	¥25,667	$ 168,168

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Futaba Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.39 to $1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 25 (26 in 2021) significant subsidiaries (together, the "Group").

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Business Combinations***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. ***Cash and Cash Equivalents***—Cash and cash equivalents include cash on hand, highly liquid bank accounts and investments, generally with original maturities of three months or less, which are readily convertible into known amounts of cash and are exposed to insignificant risk of changes in value.

e. ***Inventories***—Finished goods and work in process are stated at the lower of cost determined by the average cost method or net selling value, and raw materials and supplies are stated at the lower of cost determined by the moving-average cost method or net selling value for the Company and its consolidated domestic subsidiaries. Inventories are stated at the lower of cost determined by the moving-average cost method or market value for its consolidated foreign subsidiaries.

f. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities, which are not classified as trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost.

Depreciation of buildings of the Company and its consolidated subsidiaries is computed by the straight-line method.

Depreciation of other property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed principally by the declining-balance method, while the straight-line method or the declining-balance method is applied to other property, plant and equipment of consolidated foreign subsidiaries.

The range of useful lives is principally from 3 to 47 years for buildings and structures and 4 to 12 years for machinery and equipment.

h. ***Goodwill***—Goodwill is amortized using the straight-line method over a period of five to eight years.

i. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. ***Retirement and Pension Plans***—The Company and certain consolidated subsidiaries have funded defined benefit pension plans, unfunded retirement benefit pension plans, and defined contribution pension plans covering substantially all of their employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years no longer than the expected average remaining service period of the employees.

Retirement allowances for directors are recorded as a liability at the amount that would be required if all directors retired at each balance sheet date.

k. ***Accounting Policy for Significant Revenue and Expenses***—In recognizing revenue, the Group identifies performance obligations based on contracts with customers for product sales and service operations in the electronic devices and machinery and tooling which are the Group's main businesses. The Group normally recognizes revenue when it determines that it has satisfied its performance obligations at the following points in time.

The Group operates electronic devices business and machinery and tooling business. For sales of these products, revenue is recognized at the time of shipment, as the period from the time of shipment to the time when control of these products are transferred to the customer is usually a normal period of time for domestic transactions, and recognized primarily on the bill of lading basis, as control over the assets is transferred to the customer in accordance with the incoterms and other conditions for export transactions.

Revenue is measured at consideration promised in the contract with customer, less discounts, rebates, returns and other items. In addition, the consideration is normally collected approximately within a year from satisfying the performance obligation and it does not contain a significant financing component.

l. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

m. ***Leases***—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

n. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

o. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

p. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate for the period.

q. ***Derivatives and Hedging Activities—***The Group uses derivative financial instruments, such as foreign exchange forward contracts, to manage foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statement of operations and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign currency exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are recognized in income. Deposits, trade receivables and payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rates if the forward contracts qualify for hedge accounting.

r. ***Per Share Information***—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

The weighted-average number of shares used in the computation was 42,417,531 shares for 2022 and 42,418,183 shares for 2021.

Diluted net income per share is not disclosed as there were no securities with a dilutive effect.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standard for Revenue Recognition

The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020) and others from the beginning of the fiscal year ended March 31, 2022, thus recognizing revenue at the amount expected to be received in exchange for promised goods or services when control of promised goods or services is transferred to the customers.

In addition, the alternative treatment which provided in paragraph 98 of the Guidance on Revenue Recognition is applied, thus for domestic sales of goods or products, revenue is recognized at the time of shipment if the period from the term of shipment to the term when control of the goods or products is transferred to the customer is normal.

In applying the Accounting Standards for Revenue Recognition, in accordance with the alternative treatment provided for in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the accumulative effect amount arising from the retrospective application of the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022, was added to or deducted from retained earnings at the beginning balance of the fiscal year ended March 31, 2022, and this account policy was applied from the balance of the beginning of the year ended March 31, 2022.

As a result, there are no significant impacts on both the Group's financial statements and retained earnings for the beginning of the fiscal year ended March 31, 2022.

Furthermore, in accordance with transitional treatment set forth in paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes are not presented with respect to the year ended March 31, 2021.

Adoption of Accounting Standard for Fair Value Measurement

The Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and others from the beginning of the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in paragraph 19 of Accounting Standard for Fair Value Instruments and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on July 4, 2019), the Group has decided to apply prospectively the new accounting policies which established by the Accounting Standard for Fair Value Accounting and others. There is no significant impact on the Group's financial statements.

In addition, the Group has decided to provide notes on items such as the breakdown of the fair value instruments by level in the notes to "Fair Values of Financial Instruments." However, in accordance with the transitional treatment set forth in paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Statement No. 19, issued on July 4, 2019), the notes are not presented with respect to the year ended March 31, 2021.

4. ADDITIONAL INFORMATION

Accounting Estimates for the Impact of the Spread of COVID-19

The Group has made accounting estimates based on the assumption that the impact of COVID-19 situation for the Group was almost settled. However, if the Group's assumption differs from actual results, it may have an impact on the financial position and operating results of the Group in the following consolidated fiscal year and beyond. There is no significant impact on accounting estimates due to this effect.

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Current—Government and corporate bonds	¥ 600	¥ 612	$ 4,903
Total	¥ 600	¥ 612	$ 4,903
Non-current:			
Marketable equity securities	¥6,733	¥7,776	$55,009
Government and corporate bonds	1,104	1,507	9,024
Trust fund investments and other	45	45	368
Total	¥7,882	¥9,328	$64,401

The costs and aggregate fair values of marketable and investment securities at March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen			
March 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	¥4,760	¥1,813	¥14	¥6,559
Debt securities	1,703	3	1	1,705
March 31, 2021				
Securities classified as—				
Available-for-sale:				
Equity securities	¥5,393	¥2,212	¥ 3	¥7,602
Debt securities	2,103	6	2	2,107

	Thousands of U.S. Dollars			
March 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	$38,891	$14,812	$113	$53,590
Debt securities	13,911	28	12	13,927

The information on available-for-sale securities which were sold during the years ended March 31, 2022 and 2021, is as follows:

	Millions of Japanese Yen		
March 31, 2022	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥770	¥127	
Total	¥770	¥127	
March 31, 2021			
Available-for-sale—Equity securities	¥677	¥ 63	
Total	¥677	¥ 63	

	Thousands of U.S. Dollars		
March 31, 2022	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	$6,290	$1,039	
Total	$6,290	$1,039	

The impairment losses on available-for-sale equity securities for the years ended March 31, 2022 and 2021, were ¥13 million ($105 thousand) and ¥60 million, respectively.

6. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2022 and 2021, consisted of time deposits of ¥13,045 million ($106,584 thousand) and ¥15,162 million, respectively.

7. INVENTORIES

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Finished goods	¥ 4,214	¥ 2,905	$ 34,430
Work in process	3,262	2,612	26,653
Raw materials and supplies	10,021	6,270	81,874
Total	¥17,497	¥11,787	$ 142,957

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2022 and 2021. As a result, the Group recognized an impairment loss of ¥1,400 million ($11,440 thousand) and ¥1,715 million for the years ended March 31, 2022 and 2021, respectively, as further described below.

For 2022

Description	Classification	Location	Millions of Japanese Yen	Thousands of U.S. Dollars
Facilities for machinery and tooling	Construction in progress, buildings, etc.	Chosei County, etc., Japan	¥ 534	$ 4,364
Facilities for electronic devices	Construction in progress, machinery, etc.	Chosei County, Japan	263	2,147
Head office, etc.	Construction in progress, buildings, etc.	Chosei County, etc., Japan	171	1,400
Facilities for electronic devices	Machinery, construction in progress, etc.	Kaohsiung City, Taiwan	133	1,083
Facilities for electronic devices	Machinery, other investments, etc.	Huntsville, USA	81	662
Facilities for machinery and tooling	Machinery, other investments, etc.	Hwaseong City, South Korea	75	610
Facilities for machinery and tooling	Construction in progress, other investments, etc.	Tokyo, Japan	50	410
Facilities for electronic devices	Other investments, etc.	Hong Kong	34	277
Facilities for electronic devices	Construction in progress	Laguna, Philippines	29	241
Facilities for electronic devices	Other investments	Shanghai City, China	23	186
Facilities for machinery and tooling	Machinery, equipment, etc.	Kunshan City, China	4	35
Facilities for machinery and tooling	Other investments	Iwate City, Japan	2	13
Facilities for electronic devices	Buildings	Ibaraki City, Japan	1	12
Total			¥1,400	$11,440

Considering the current business environment, the business forecast, and the recoverability of the relevant assets, the Group wrote down the carrying value of the facilities for head office, machinery and tooling, and electronic devices to their recoverable amounts.

The recoverable amounts of those facilities were measured at their net sale value or value in use. The net sale value was calculated by using the estimated disposal value. The value in use was determined to be zero because no future cash flow is expected.

A breakdown of impairment loss for the fiscal year ended March 31, 2022, is as follows:

Classification	Millions of Japanese Yen	Thousands of U.S. Dollars
Construction in progress	¥ 693	$ 5,665
Machinery and equipment	291	2,377
Buildings and structures	156	1,275
Software	130	1,059
Others	130	1,064
Total	¥1,400	$11,440

For 2021

Description	Classification	Location	Millions of Japanese Yen
Facilities for electronic devices	Machinery, construction in progress, etc.	Kaohsiung City, Taiwan	¥ 405
Head office, etc.	Buildings, construction in progress, etc.	Chosei County, etc., Japan	350
Facilities for electronic devices	Construction in progress, machinery, etc.	Chosei County, Japan	323
Facilities for machinery and tooling	Buildings, machinery, etc.	Ho chi minh City, Vietnam	224
Facilities for machinery and tooling	Machinery, buildings, etc.	Chosei County, Japan	174
Facilities for machinery and tooling	Buildings, machinery, etc.	Iwate City, Japan	144
Facilities for electronic devices	Other investments, etc.	Shanghai City, China	33
Facilities for electronic devices	Construction in progress	Laguna, Philippines	24
Facilities for machinery and tooling	Construction in progress, tools furniture and fixtures, etc.	Tokyo, Japan	22
Facilities for electronic devices	Machinery, construction in progress	Huntsville, USA	9
Facilities for machinery and tooling	Other investments, tools furniture and fixtures, etc.	Kunshan City, China	7
Total			¥1,715

FUTABA (Vietnam) Co., Ltd. which belongs to the machinery and tooling segment recorded an impairment loss of ¥224 million. As a result, property, plant and equipment and intangibles held by FUTABA (Vietnam) Co., Ltd. were ¥663 million and ¥162 million, respectively.

Considering the current business environment, the business forecast, and the recoverability of the relevant assets, the Group wrote down the carrying value of the facilities for head office, machinery and tooling, and electronic devices to their recoverable amounts.

The recoverable amounts of those facilities were measured at their net sale value or value in use. The net sale value was calculated by using the estimated disposal value. The value in use was determined to be zero because no future cash flow is expected.

A breakdown of impairment loss for the fiscal year ended March 31, 2021, is as follows:

Classification	Millions of Japanese Yen
Machinery and equipment	¥ 713
Construction in progress	392
Buildings and structures	386
Software	105
Others	119
Total	¥1,715

9. SHORT-TERM BANK LOANS

The annual interest rates applicable to the short-term bank loans ranged from 0.72% to 1.26% at March 31, 2022 and 2021, respectively.

10. LONG-TERM DEBT AND ASSETS PLEDGED AS COLLATERAL

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Long-term loans	¥ 51	¥ 49	$ 414
Long-term lease obligation	536	586	4,382
Less current portion	(191)	(190)	(1,557)
Long-term debt, less current portion	¥396	¥445	$3,239

Annual maturities of long-term debt as of March 31, 2022, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Japanese Yen	Thousands of U.S. Dollars
2023	¥191	$1,557
2024	89	731
2025	62	506
2026	40	331
2027	32	258
2028 and thereafter	173	1,413
Total	¥587	$4,796

The carrying amounts of assets pledged as collateral for accrued consumption taxes of ¥46 million ($376 thousand), trade accounts payable of ¥221 million ($1,804 thousand) and current portion of long-term loans of ¥51 million ($414 thousand) at March 31, 2022, were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Land	¥1,067	$ 8,715
Buildings and structures—net	735	6,004
Investment securities	304	2,487
Other investments	45	367
Total	¥2,151	$ 17,573

11. RETIREMENT AND PENSION PLANS

Under the employees retirement benefit plans of the Company covering substantially all of the employees of the Company and its domestic subsidiaries, employees terminating their employment are entitled, under most circumstances, to either lump-sum payments or annuity payments, determined by reference to the current basic rate of pay, length of service, conditions under which the termination occurs and certain other factors. Those employees terminating their employment after 20 or more years of service with the Company are entitled to either lump-sum payments or annuity payments, at their option, and employees with more than 2 years but less than 20 years of service are entitled only to receive lump-sum payments upon retirement.

Certain consolidated foreign subsidiaries also have funded or unfunded retirement benefit plans covering substantially all of their employees. With minor exceptions, based on the conditions of termination, employees are entitled to receive lump-sum payments upon termination of employment.

The Company and certain consolidated subsidiaries adopted a defined contribution pension plan as part of their employees' retirement benefit plan. Certain domestic subsidiaries use the Smaller Enterprise Retirement Allowance Mutual Aid Plan or Specific Retirement Allowance Mutual Aid Plan as their defined contribution pension plan.

(1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥29,776	¥31,371	$243,290
Current service cost	321	331	2,626
Interest cost	223	230	1,822
Actuarial gains	(242)	(188)	(1,975)
Benefits paid	(1,864)	(2,246)	(15,231)
Others	217	278	1,763
Balance at end of year	¥28,431	¥29,776	$232,295

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥32,755	¥30,963	$ 267,626
Expected return on plan assets	809	765	6,609
Actuarial gains	272	2,302	2,224
Contributions from the employer	487	509	3,980
Benefits paid	(1,850)	(2,042)	(15,115)
Others	192	258	1,570
Balance at end of year	¥32,665	¥32,755	$ 266,894

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021, is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥28,083	¥29,464	$ 229,454
Plan assets	(32,665)	(32,755)	(266,894)
Total	(4,582)	(3,291)	(37,440)
Unfunded defined benefit obligation	347	312	2,841
Net liability arising from defined benefit obligation	¥ (4,235)	¥ (2,979)	$ (34,599)

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits	¥ 525	¥ 747	$ 4,293
Asset for retirement benefits	(4,760)	(3,726)	(38,892)
Net liability arising from defined benefit obligation	¥(4,235)	¥(2,979)	$ (34,599)

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 321	¥ 331	$ 2,626
Interest cost	223	230	1,822
Expected return on plan assets	(809)	(766)	(6,608)
Amortization of prior service cost	(759)	(759)	(6,203)
Recognized actuarial losses	102	437	834
Others	5		40
Net periodic benefit costs	¥(917)	¥(527)	$ (7,489)

In addition to the net periodic benefit cost stated above, extra retirement benefits of ¥78 million ($634 thousand) and ¥79 million were recorded as operating expenses for the years ended March 31, 2022 and 2021, respectively. Also, extra retirement benefits of ¥25 million ($205 thousand) were recorded as other expenses for the year ended March 31, 2022.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ (759)	¥ (759)	$ (6,203)
Actuarial losses	613	2,922	5,007
Total	¥ (146)	¥2,163	$ (1,196)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ 570	¥1,328	$ 4,652
Unrecognized actuarial losses	1,650	1,099	13,483
Total	¥2,220	¥2,427	$ 18,135

(7) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Debt investments	26%	28%
Equity investments	18	20
General accounts	38	37
Others	18	15
Total	100%	100%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	Mainly 0.6%	Mainly 0.6%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30% for each of the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, are as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Inventories	¥ 580	¥ 581	$ 4,742
Accrued bonuses to employees	231	223	1,890
Depreciation	307	303	2,505
Liability for retirement benefits	439	400	3,584
Allowance for doubtful accounts	384	366	3,137
Loss on impairment of long-lived assets	6,370	7,102	52,047
Unrealized gain on available-for-sale securities			
Tax loss carryforwards	10,670	10,308	87,179
Other	323	275	2,644
Total deferred tax assets	19,304	19,558	157,728
Net of deferred tax liabilities in the same tax jurisdiction	(211)	(142)	(1,724)
Valuation allowance related to tax loss carryforwards	(10,665)	(10,301)	(87,145)
Valuation allowance related to total deductible temporary difference, etc.	(7,985)	(8,732)	(65,243)
Valuation allowance	(18,650)	(19,033)	(152,388)
Deferred tax assets—net	443	383	3,616
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	55	35	447
Reserve for advanced depreciation of non-current assets	275	275	2,243
Asset for retirement benefits	1,348	1,040	11,012
Unrealized gain on available-for-sale securities	503	628	4,110
Other	313	276	2,569
Total deferred tax liabilities	2,494	2,254	20,381
Net of deferred tax assets in the same tax jurisdiction	(211)	(142)	(1,724)
Deferred tax liabilities—net	2,283	2,112	18,657
Net deferred tax liabilities	¥ 1,840	¥ 1,729	$ 15,041

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2022, with the corresponding figures for 2021, is as follows:

	2022	2021
Normal effective statutory tax rate	30 %	30 %
Expenses not deductible for tax purposes	(5)	(2)
Unrecognized tax effects on unrealized gains	2	
Valuation allowance for deferred tax assets	1	(22)
Expiration of loss carryforwards	(90)	(25)
Foreign tax credit	(2)	(1)
Goodwill impairment loss	(1)	
Other—net	(7)	(1)
Actual effective tax rate	(72)%	(21)%

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen						
March 31, 2022	Within 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Total
Tax loss carryforward	¥ 504	¥485	¥1,153	¥ 822	¥941	¥6,765	¥10,670
Valuation allowance	(504)	(485)	(1,153)	(822)	(941)	(6,761)	(10,666)
Deferred tax assets						4	4
March 31, 2021							
Tax loss carryforward	¥1,260	¥495	¥ 465	¥1,168	¥816	¥6,104	¥10,308
Valuation allowance	(1,260)	(495)	(465)	(1,168)	(816)	(6,097)	(10,301)
Deferred tax assets						7	7

	Thousands of U.S. Dollars						
March 31, 2022	Within 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Total
Tax loss carryforward	$4,118	$3,962	$9,420	$6,713	$7,686	$55,280	$87,179
Valuation allowance	(4,118)	(3,962)	(9,420)	(6,713)	(7,686)	(55,245)	(87,144)
Deferred tax assets						35	35

The amounts deducted from deferred tax assets (valuation allowance) have the significant changes. The main reason is increase in tax loss carryforward.

14. REVENUE

(1) *Disaggregation of Revenue*

Information that classifies revenues from contracts with customers is shown in Note 23, "Segment Information."

(2) *Basic Information to Understand Revenues from Contracts with Customers*

Information that provides a basis for understanding revenues from contracts with customers is shown in Note 2.k, "Accounting policy for significant revenue and expenses."

(3) *Contract Balances*

Receivables from contracts with customers and contract liabilities at the beginning and end of the year are as follows:

	Millions of Japanese Yen 2022	Thousands of U.S. Dollars 2022
Receivables from contracts with customers:		
Balance at beginning of year	¥14,902	$121,762
Balance at end of year	15,466	126,367
Contract liabilities:		
Balance at beginning of year	152	1,242
Balance at end of year	153	1,246

Receivables from contracts with customers are included in "Trade notes," "Trade accounts" and "Electronically recorded monetary claims," while contract liabilities are included in "Other current liabilities" in the consolidated financial statements.

The amount of revenue recognized in the current fiscal year that was included in contract liabilities at the beginning of the period was not material.

(4) ***Transaction Prices Allocated to Remaining Performance Obligations***

The Group has no material transaction whose remaining performance obligation exceeds one year. Within the consideration for the contracts with the customers, there is no material amount not included in the transaction prices.

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,894 million ($15,471 thousand) and ¥2,142 million for the years ended March 31, 2022 and 2021, respectively.

16. RESTRUCTURING LOSS

Restructuring loss was the loss on the reorganization of our production base in Taiwan for the year ended March 31, 2021, and it mainly consisted of the financial compensation.

17. LEASES

Finance Leases

As Lessee

The Group leases certain computer equipment, machinery and other assets. Total lease payments under finance leases for the years ended March 31, 2022 and 2021, were ¥105 million ($861 thousand) and ¥126 million, respectively.

Operating Leases

The obligations under noncancelable operating leases for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 43	¥20	$ 351
Due after one year	95	51	775
Total	¥138	¥71	$1,126

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) ***Group Policy for Financial Instruments***

The Group uses financial instruments, mainly safe and reliable short-term cash deposits, and marketable and investment securities which are believed to be beneficial for the business, and fund management. In accordance with the Group's financing policy, the Group principally uses internal funds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using foreign currency forward contracts. Marketable and investment securities, mainly trading securities, debt securities and stocks of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Derivatives mainly include foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Note 18 for more details about derivatives.

(3) *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to debt securities, the Group manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. With reference to derivatives, it is reasonable to assume that there is a little credit risk to be recognized as the Group only deals with high credit rating financial institutions. Please see Note 18 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2022.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged partially by foreign currency forward contracts.

Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

The basic principles of derivative transactions are approved by management meetings based on the internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made by the corporate accounting department, and the transactions data is reported to the management meeting on a monthly basis.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

March 31, 2022	Millions of Japanese Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥20,582	¥20,582	
Short-term investments	13,045	13,045	
Receivables	14,833	14,833	
Electronically recorded monetary claims	914	914	
Marketable and investment securities	8,264	8,264	
Total	¥57,638	¥57,638	
Payables	¥ 4,480	¥ 4,480	
Short-term bank loans	386	386	
Electronically recorded obligations	1,055	1,055	
Long-term debt	396	396	
Total	¥ 6,317	¥ 6,317	

March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥25,667	¥25,667	
Short-term investments	15,162	15,162	
Receivables	14,200	14,200	
Electronically recorded monetary claims	826	826	
Marketable and investment securities	9,709	9,709	
Total	¥65,564	¥65,564	
Payables	¥ 3,769	¥ 3,769	
Short-term bank loans	408	408	
Electronically recorded obligations	660	660	
Long-term debt	445	445	
Total	¥ 5,282	¥ 5,282	

March 31, 2022	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 168,168	$ 168,168	
Short-term investments	106,584	106,584	
Receivables	121,196	121,196	
Electronically recorded monetary claims	7,468	7,468	
Marketable and investment securities	67,518	67,518	
Total	$ 470,934	$ 470,934	
Payables	$ 36,608	$ 36,608	
Short-term bank loans	3,153	3,153	
Electronically recorded obligations	8,616	8,616	
Long-term debt	3,239	3,239	
Total	$ 51,616	$ 51,616	

Cash and Cash Equivalents, Short-Term Investments, Receivables, Electronically Recorded Monetary Claims, Payables, Electronically Recorded Obligations and Short-Term Bank Loans

The carrying values of cash and cash equivalents, short-term investments, receivables, payables, electronically recorded obligations and short-term bank loans approximate fair value because of their short maturities.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 5.

Long-Term Debt

The fair values are based on present value of principal and interest discounted at the current assumed rate for long-term loans payable.

(*b*) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investments in equity instruments that do not have a quoted market price in an active market	¥194	¥194	$1,582
Investments in limited partnership	45	57	368

(5) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	Millions of Japanese Yen			
March 31, 2022	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥20,582			
Receivables	14,833			
Electronically recorded monetary claims	914			
Marketable and investment securities:				
Government bonds		¥ 300		
Corporate bonds	600	800		
Other				¥45
Total	¥36,929	¥1,100		¥45

March 31, 2022	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 168,168			
Receivables	121,196			
Electronically recorded monetary claims	7,468			
Marketable and investment securities:				
Government bonds		$ 2,451		
Corporate bonds	4,903	6,537		
Other				$ 368
Total	$ 301,735	$ 8,988		$ 368

Please see Note 10 for annual maturities of long-term debt and Note 16 for the obligations under noncancelable operating leases.

(6) *Financial Instruments Categorized by Fair Value Hierarchy*

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

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

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

	Millions of Japanese Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities:				
Stocks	¥6,559			¥6,559
Government and municipal bonds	304			304
Corporate bonds		¥1,400		1,400
Total assets	¥6,863	¥1,400		¥8,263

	Thousands of U.S. Dollars			
March 31, 2022	Level 1	Level 2	Level 3	Total
Securities:				
Stocks	$ 53,590			$ 53,590
Government and municipal bonds	2,487			2,487
Corporate bonds		$ 11,440		11,440
Total assets	$ 56,077	$ 11,440		$ 67,517

(*b*) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

There is no material financial instruments for the year ended March 31, 2022.

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities

Listed stocks, government bonds and corporate bonds are valued using market prices. Since listed stocks and government bonds are traded in active markets, their fair value is classified as Level 1 fair value. On the contrary, corporate bonds which held by the Group are classified as Level 2 fair value because they are not frequently traded in the market and are not considered market prices in an active market.

19. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

The Group principally uses foreign currency forward contracts within the limits of the amounts of deposits, trade receivables and trade payables denominated in foreign currencies. The Group does not use any derivative contracts with terms longer than one year. Further, the Group does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Credit risk is the risk of loss resulting from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate losses arising from credit risk.

The basic policies for the use of derivatives are approved by the Board of Directors. Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. The execution and control of the derivatives are managed by the finance department. The performances and positions of the derivative transactions are monitored by the accounting department and reported to the Board of Directors so that those risk positions can be appropriately controlled.

Derivative Transactions to Which Hedge Accounting Is Not Applied

There is no balance of derivatives at March 31, 2022.

Derivative Transactions to Which Hedge Accounting Is Applied

There is no balance of derivatives at March 31, 2022.

20. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2022, was ¥17 million ($142 thousand).

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ (309)	¥2,951	$ (2,522)
Reclassification adjustments to profit or loss	(105)	(61)	(864)
Amount before income tax effect	(414)	2,890	(3,386)
Income tax effect	128	(645)	1,046
Total	¥ (286)	¥2,245	$ (2,340)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥3,394	¥3,113	$27,733
Amount before income tax effect	3,394	3,113	27,733
Total	¥3,394	¥3,113	$27,733
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ 497	¥2,466	$ 4,058
Reclassification adjustments to profit or loss	(658)	(321)	(5,377)
Amount before income tax effect	(161)	2,145	(1,319)
Income tax effect	83	(682)	681
Total	¥ (78)	¥1,463	$ (638)
Total other comprehensive income	¥3,030	¥6,821	$24,755

22. SUBSEQUENT EVENTS

a. *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2022, was approved at the Company's shareholders' meeting held on June 29, 2022:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Cash dividends, ¥14 ($0.114) per share	¥593	$4,852

b. ***Reduction of Capital Reserve***

It was approved to reduce capital reserve at the Company's shareholders' meeting held on June 29, 2022.

(1) *Purpose of reduction of capital reserve*

In a bid to prepare for the future flexible capital policies and ensure resilience in the Company's financial strategy, the Company will reduce a portion of capital reserve, in accordance with the provision stipulated in Paragraph 1, Article 448 of the Companies Act.

(2) *Outline of the reduction of capital reserve*

(a) Amount to be reduced capital reserve

¥18 billion ($14,707 thousand) of the capital reserve of ¥21,594,729,199 ($176,442 thousand)

(b) Method of reducing amount of capital reserve

A portion of capital reserve will be reduced and transferred to other capital surplus.

(3) *Schedule for reduction of capital reserve*

(a) Date of resolution at the Board of Directors' meeting:	May 20, 2022
(b) Date of resolution at the Company's shareholders' meeting:	June 29, 2022
(c) Creditor objection statement notice:	July 5, 2022
(d) Creditor objection statement final deadline:	August 5, 2022
(e) Effective date:	August 31, 2022 (tentative)

23. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) *Description of Reportable Segments*

The Group's reportable segments are those for which financial information is separately available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the electronic devices and machinery and tooling segments. The electronic devices segment consists of VFDs, VFD modules, OLEDs, touch panels, radio control equipment, engines for models and parts for robots. The machinery and tooling segment consists of press die set components, moldbase components, precision plates and equipment for automation.

(2) ***Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment***

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) ***Information about Sales, Profit (Loss), Assets and Other Items***

	Millions of Japanese Yen				
	Reportable Segment				
2022	Electronic Devices	Machinery and Tooling	Total	Reconcil-iations	Consol-idated
Sales:					
Japan	¥ 9,235	¥14,263	¥ 23,498		¥ 23,498
America	5,017	101	5,118		5,118
Europe	1,437	2	1,439		1,439
Asia	7,013	16,367	23,380		23,380
Revenue from contracts of customers	22,702	30,733	53,435		53,435
Revenue from others	16		16		16
Sales to external customers	22,718	30,733	53,451		53,451
Intersegment sales or transfers	14	26	40	¥ (40)	
Total	¥22,732	¥30,759	¥ 53,491	¥ (40)	¥ 53,451
Segment profit (loss)	¥ (2,630)	¥ 766	¥ (1,864)	¥ (0)	¥ (1,864)
Segment assets	48,876	51,560	100,436	(1)	100,435
Other:					
Depreciation	385	781	1,166		1,166
Impairment losses of assets	564	665	1,229	171	1,400
Increase in property, plant and equipment and intangible assets	848	2,492	3,340		3,340
2021					
Sales:					
Sales to external customers	¥20,577	¥28,249	¥ 48,826		¥ 48,826
Intersegment sales or transfers	8	14	22	¥ (22)	
Total	¥20,585	¥28,263	¥ 48,848	¥ (22)	¥ 48,826
Segment profit (loss)	¥ (3,675)	¥ 158	¥ (3,517)	¥ 0	¥ (3,517)
Segment assets	51,698	48,508	100,206	(0)	100,206
Other:					
Depreciation	367	866	1,233		1,233
Impairment losses of assets	794	571	1,365	350	1,715
Increase in property, plant and equipment and intangible assets	1,254	839	2,093		2,093

2022	Thousands of U.S. Dollars				
	Reportable Segment				
	Electronic Devices	Machinery and Tooling	Total	Reconcil-iations	Consol-idated
Sales:					
Japan	$ 75,452	$ 116,540	$ 191,992		$ 191,992
America	40,989	828	41,817		41,817
Europe	11,747	12	11,759		11,759
Asia	57,298	133,724	191,022		191,022
Revenue from contracts of customers	185,486	251,104	436,590		436,590
Revenue from others	134		134		134
Sales to external customers	185,620	251,104	436,724		436,724
Intersegment sales or transfers	110	213	323	$ (323)	
Total	$ 185,730	$ 251,317	$ 437,047	$ (323)	$ 436,724
Segment profit (loss)	$ (21,492)	$ 6,266	$ (15,226)	$ (1)	$ (15,227)
Segment assets	399,343	421,276	820,619	(3)	820,616
Other:					
Depreciation	3,144	6,384	9,528		9,528
Impairment losses of assets	4,608	5,432	10,040	1,400	11,440
Increase in property, plant and equipment and intangible assets	6,928	20,359	27,287		27,287

(4) ***Information about Products and Services***

Information about products and services is omitted as the same information is disclosed within the segment information.

(5) ***Information about Geographical Areas***

a. Sales

2022

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥23,514	¥5,118	¥1,439	¥23,380	¥53,451

2021

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥21,041	¥5,334	¥1,361	¥21,090	¥48,826

2022

Thousands of U.S. Dollars				
Japan	America	Europe	Asia	Total
$ 192,126	$ 41,817	$ 11,759	$ 191,022	$ 436,724

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

Sales to South Korea out of sales to Asia for the years ended March 31, 2022 and 2021, were ¥12,443 million ($101,667 thousand) and ¥12,077 million, respectively.

b. *Property, plant and equipment*

2022

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥3,612	¥482	¥0	¥13,774	¥17,868

2021

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥3,601	¥589	¥1	¥12,428	¥16,619

2022

Thousands of U.S. Dollars				
Japan	America	Europe	Asia	Total
$29,513	$3,942	$2	$112,539	$145,996

Plant and equipment located in South Korea out of property, plant and equipment located in Asia for the years ended March 31, 2022 and 2021, were ¥10,545 million ($86,158 thousand) and ¥9,108 million, respectively.

(6) *Information about Major Customers*

Information about major customers is omitted as no customer accounts for more than 10% of the net sales in the consolidated statement of operations.

* * * * * *

Board of Directors

As of 29 June, 2022

Representative Director and President	Motoaki Arima
Senior Managing Director	Toshihide Kimizuka
Directors	Hiroyuki Iwase
	Yasushi Nemoto
	Takemitsu Kunio
	Masako Tanaka
Directors, Audit and Supervisory Committee Members	Tadashi Ohmura
	Tatsuya Ikeda
	Hiroshi Shomura
	Akihiro Ishihara

Futaba Corporation
629 Oshiba, Mobara, Chiba Prefecture 297-8588, Japan
URL https://www.futaba.co.jp/