NIPPON CHEMI-CON CORPORATION

REPORT OF CONSOLIDATED FINANCIAL STATEMENTS

As of and for the year ended
March 31, 2021

Ernst & Young ShinNihon LLC
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Independent Auditor's Report

The Board of Directors
Nippon Chemi-Con Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nippon Chemi-Con Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of operations, 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, 2021, 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.

Emphasis of Matter

We draw attention to Note 3 to the consolidated financial statement. Depreciation of property, plant and equipment, excluding leased assets, was previously calculated mainly by the declining-balance method except for buildings (other than facilities attached to buildings), and facilities attached to buildings and structures acquired since April 1, 2016. However, the depreciated method was changed to the straight-line method from the year ended March 31, 2021. Our opinion is not modified in respect of this matter.

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.

Recoverability of Deferred Tax Assets	
Description of Key Audit Matter	**Auditor's Response**
The Company recognized deferred tax assets of ¥1,248 million on consolidated balance sheet as of March 31, 2021. As described in Note 10 Income Taxes, the amount of deferred tax assets before offsetting with the deferred tax liabilities is ¥1,784 million, which is a total of gross deferred tax asset for deductible temporary differences and tax loss carryforwards of ¥8,374 million offset by the valuation allowance of ¥6,589 million. The Company determines the recoverability of deferred tax assets for future deductible temporary differences and tax loss carryforwards by estimating the taxable income for next year. The Company's taxable income for next year is estimated based on the business plan for next year and as described in Note 2 (15) Significant accounting estimates, the significant assumption in the business plan for next year is forecasted sales volume. Given that the significant assumption applied in the business plan for next year involves uncertainties and requires management's judgement in assessing the recoverability of deferred tax assets, we determined recoverability of deferred tax assets to be a key audit matter.	The audit procedures we performed to assess the recoverability of deferred tax assets included the following, among others: ・We examined the amount of deductible temporary differences and tax loss carryforwards by involving our tax professionals . ・We examined the schedule of the years in which deductible temporary differences and tax loss carryforwards were expected to be reversed or expire. ・We assessed the underlying business plan for next year to evaluate the estimate of taxable income for next year. We assessed the business plan for next year, by evaluating its consistency with the business plan approved by the Board of Directors. ・In order to evaluate the effectiveness of management's estimation process in business planning, we compared the Company's business plans in previous years to actual operating results. ・In order to evaluate management's assessment of estimation uncertainties that are reflected as certain risks in the business plan for next year, we compared the forecasted sales to sales in previous years and performed trend analysis on forecasted sales volume as a significant assumption.

Responsibilities of Management, the Audit & Supervisory Board Member and the Audit & Supervisory Board 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 & Supervisory Board Member and the Audit & Supervisory Board are 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 & Supervisory Board Member and the Audit & Supervisory Board 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 & Supervisory Board Member and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the 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 Audit & Supervisory Board Member and the Audit & Supervisory Board, 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, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 29, 2021

野水善之

Yoshiyuki Nomizu
Designated Engagement Partner
Certified Public Accountant

島藤章太郎

Shotaro Shimafuji
Designated Engagement Partner
Certified Public Accountant

FINANCIAL HIGHLIGHTS
NIPPON CHEMI-CON CORPORATION
Five years ended March 31

	Millions of yen except for per share amounts				
	2021	2020	2019	2018	2017
Net sales	¥ 110,788	¥ 114,599	¥ 140,951	¥ 133,362	¥ 116,311
Profit (loss) attributable to owners of the parent company	2,038	(5,926)	917	(16,056)	840
Profit (loss) per share:					
Basic	114.76	(363.96)	56.36	(985.77)	51.57
Diluted	114.63	-	-	-	-
Net assets per share	¥ 2,544.62	¥ 2,422.68	¥ 2,921.53	¥ 3,012.97	¥ 3,877.73

	Thousands of U.S. dollars except for per share amounts				
	2021	2020	2019	2018	2017
Net sales	$ 1,000,711	$ 1,035,132	$ 1,273,156	$ 1,204,610	$ 1,050,599
Profit (loss) attributable to owners of the parent company	18,415	(53,529)	8,289	(145,032)	7,588
Profit (loss) per share:					
Basic	1.04	(3.29)	0.51	(8.90)	0.47
Diluted	1.04	-	-	-	-
Net assets per share	$ 22.98	$ 21.88	$ 26.39	$ 27.21	$ 35.03

Notes:
1. Basic profit (loss) per share amounts are based on the average number of common shares outstanding during each year.
2. Net assets per share amounts are based on the number of common shares outstanding at the end of each year.
3. As we conducted a 10-to-1 share consolidation of its common stock on October 1, 2017, per share amounts have been adjusted as if the share consolidation had been conducted at the start of FY 2016.
4. U.S. dollar amounts have been translated from yen at the rate of ¥110.71= U.S. $1, as referred to in Note 1 to the consolidated financial statements.
5 Diluted earnings per share for the fiscal year from 2016 to 2019 is not presented because dilutive stock was not existed.

To Our Stakeholders

Norio Kamiyama

Overview of Operating Results

In the fiscal year ended March 2021, the COVID-19 pandemic resulted in severe recession of the global economy. However, in the U.S.A., the economy saw gradual recovery as economic activities were resumed due to the ease of restrictions from infection prevention measures, and improvements in personal consumption and capital investments were seen. In Japan and Europe, economic recovery was mild due to the impact of restrictions on economic activities implemented to stop a resurgence in the number of infected people. Furthermore, China, which quickly overcame the impact of the pandemic, has seen rapid economic recovery such as increased capital investments due to economic stimulation measures by the government.

The market environment surrounding the Nippon Chemi-Con Group (The Group) saw firm demand in ICT-related markets due to the widespread adoption of remote work and people spending more time at home leading to demand for notebook PCs and home video game consoles. Demand for products related to 5G communication base stations was also strong. While we did see a significant decrease in demand in the automotive electronics market and industrial equipment market due to the impact of the COVID-19 pandemic, the markets did trend towards recovery during the second half of the fiscal year from improvement in global economic conditions.

Amid this operating environment, the Group applied the policies outlined in the Group's 9th Medium-term Management Plan launched in April 2020 and has implemented product planning reforms and structural reforms. While the full benefits of product planning reforms will not be evident until fiscal year 2021 and beyond, the Group engaged in product development with a focus on developing and expanding sales of high-value added, highly profitable products. Nippon Chemi-Con expanded its line of hybrid products with the development of the HXF Series, a conductive polymer hybrid aluminum electrolytic capacitor that contributes to size reductions and extended service life for circuit units such as in DC-DC converters and inverters. We also developed the KXQ Series, a radial lead type aluminum electrolytic capacitor that provides higher capacitance and reliability than conventional products for on-board chargers installed in electric vehicles and plug-in hybrid vehicles.

As part of structural reforms, Nippon Chemi-Con engaged in human resource optimization by implementing an early retirement program and improved workflow efficiency by reorganizing domestic production sites. The Group also worked to optimize the balance between in-house production and external procurement of electrode foils for aluminum electrolytic capacitors. This will enable to maximize the production capacity of existing facilities while also improving the capital efficiency by limiting new capital investments. In September 2020, Nippon Chemi-Con issued equity warrants to improve the financial strength and secure future investments in highly profitable products.

Under these circumstances, consolidated results for the fiscal year ended March 2021 was a net sales of 110,788 million yen (down 3.3% YoY), an operating income of 2,971 million yen (previous FY was operating losses of 2,891 million yen), and an ordinary income of 2,091 million yen (previous FY was ordinary losses of 4,245 million yen). Furthermore, profit attributable to owners of parent was 2,038 million yen (previous FY was 5,926 million yen in losses attributable to owners of parent).

It is with regret that we have decided to forego the year-end dividend for the fiscal year ended March 2021. We would like to express our sincere apologies to our shareholders.

Operating Results by Division
Status by business division for FY2020 is as follows.

1. Capacitors (101,218 million yen, 91.4% of total sales)
Net sales decreased by 3.2% YoY due to lower demand in the automotive electronics and industrial equipment-related markets.

2. Mechanical Parts and Other Parts (2,621 million yen, 2.4% of total sales)
Net sales decreased by 22.7% YoY due to a decline in sales of CMOS camera modules.

3. Capacitor Materials (4,903 million yen, 4.4% of total sales)
Net sales increased by 10.3% YoY due to increased demand for aluminum electrolytic capacitor electrode foils.

4. Other Products (2,044 million yen, 1.8% of total sales)
Net sales decreased by 6.2% YoY due to decreased demand for resale products.

Outlook for Fiscal 2021
Our outlook for the future is that the impact of the COVID-19 pandemic will ease gradually, resulting in a recovery trend for the global economy. At the same time, we project that the operating environment influencing the Group will continue to require caution due to a number of concerns such as a decline in personal consumption from stagnation in economic activities, a global supply shortage of semiconductors, and a reignition of the US-China trade friction.

Amid such an operating environment, we will steadily implement key policies aimed at generating profits and achieving the goals of our 9th Medium-term Management Plan. We will clarify our growth strategy and improve our profit structure by continuing with product planning reforms and structural reforms throughout fiscal year 2021.

For product planning reforms, Nippon Chemi-Con will achieve results by strengthening its product planning capabilities and accelerating the launch of products on growing markets. The Group will increase production capacity and engage in aggressive sales promotion activities of conductive polymer and hybrid products toward the automotive electronics, ICT, and industrial equipment markets which the Group positions as principal strategic markets. At the same time, we will establish a structure that accelerates the launch of new products by improving workflow efficiency, from planning to supplying. We will improve profitability by replacing existing products with new high-value added, highly profitable products and increasing the net sales ratio of new products. Furthermore, the Group will improve its ability to respond to geographic risks by enhancing sales strategies by region and reducing the disparity between sales regions and markets.

For structural reforms, the Group will engage in full-scale structural reforms to achieve results that will extend beyond the temporary benefits gained in fiscal year 2020. For manufacturing processes, the Group will break free of its high-cost structure by controlling fixed costs and improving productivity through initiatives such as adopting smart factory technology in production sites. In fiscal year 2021, the Group will automate human judgment and operation as much as possible by automating a portion of quality control processes. This will improve production efficiency and prevent the occurrence of defective products. We will also focus on supply chain management reforms. The Group will improve capital efficiency by reducing lead time required for manufacturing and logistics, from foil production to the shipment to warehouses of sales offices and reducing inventory. Furthermore, we will improve back-office productivity by visualizing staff workflows, eliminating inefficient tasks and focusing on value-added tasks.

The Group was the subject of lawsuits and fines assessed by fair trade authorities in relation to our aluminum electrolytic capacitor transactions, and we currently are still responding to certain actions. The Group would like to apologize to our shareholders for any concern or inconvenience that we have caused. The Group is fully committed to the full-scale reform of our corporate structure. We ask for your continued understanding and support.

June 29, 2021

Norio Kamiyama

Norio Kamiyama
President

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheet
As of March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2021**	2020	**2021**
Current assets:			
Cash and deposits (Note 6)	¥ **23,725**	¥ 27,724	$ **214,305**
Notes and accounts receivable-trade	**25,208**	22,226	**227,694**
Inventories (Note 7)	**25,529**	26,531	**230,600**
Accounts receivable-other	**6,535**	3,337	**59,033**
Other current assets	**531**	569	**4,799**
Less allowance for doubtful accounts	**(7)**	(8)	**(64)**
Total current assets	**81,523**	80,380	**736,368**
Property, plant and equipment:			
Buildings and structures	**41,060**	40,715	**370,883**
Machinery, equipment and others	**139,980**	138,446	**1,264,387**
Land	**6,917**	6,902	**62,485**
Lease assets	**1,694**	1,675	**15,307**
Right-of-use assets	**3,040**	2,607	**27,464**
Construction in progress	**2,183**	1,723	**19,724**
Sub total	**194,877**	192,071	**1,760,253**
Less accumulated depreciation	**(156,428)**	(151,557)	**(1,412,961)**
Property, plant and equipment, net	**38,448**	40,514	**347,292**
Intangible fixed assets	**1,661**	1,600	**15,004**
Investments and other assets :			
Investment securities (Notes 8 and 16)	**15,130**	14,470	**136,668**
Long-term loans receivable	**5**	6	**50**
Deferred tax assets (Notes 10)	**1,248**	1,368	**11,273**
Other	**1,449**	1,300	**13,094**
Less allowance for doubtful accounts	**(18)**	(25)	**(167)**
Total investments and other assets	**17,815**	17,119	**160,919**
Total assets	¥ **139,448**	¥ 139,615	$ **1,259,584**

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheet
As of March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and Net Assets	**2021**	2020	**2021**
Current liabilities:			
Notes and accounts payable-trade	**¥ 8,815**	¥ 6,610	**$ 79,626**
Electronically recorded obligations	**6,233**	5,552	**56,309**
Short-term debt (Note 9)	**30,142**	28,471	**272,265**
Accounts payable-other	**3,131**	5,415	**28,283**
Income taxes payable	**584**	604	**5,279**
Accrued expenses	**2,282**	3,907	**20,614**
Bonus reserve	**1,782**	1,668	**16,100**
Notes payable-equipment	**38**	86	**345**
Other current liabilities	**1,268**	430	**11,5453**
Total current liabilities	**54,278**	52,748	**490,278**
Long-term liabilities:			
Long-term debt (Note 9)	**27,679**	38,059	**250,017**
Deferred tax liabilities (Notes 10)	**219**	267	**1,981**
Provision for environmental safety measures	**22**	54	**207**
Net defined benefit liability(Note 11)	**5,029**	8,382	**45,425**
Other long-term liabilities	**314**	319	**2,839**
Total long-term liabilities	**33,265**	47,084	**300,471**
Total liabilities	**87,543**	99,833	**790,749**
Net assets:			
Shareholders' equity			
Common stock			
Authorized 39,613,200 shares issued and outstanding,			
20,314,833 shares in 2021 and			
16,314,833 shares in 2020	**24,310**	21,526	**219,588**
Capital surplus	**21,224**	18,439	**191,709**
Retained earnings	**4,440**	2,401	**40,107**
Treasury shares (Note 14)	**(105)**	(102)	**(949)**
Total shareholders' equity	**49,870**	42,264	**450,456**
Accumulated other comprehensive income			
Net unrealized gains on securities	**721**	269	**6,520**
Foreign currency translation adjustments	**168**	(543)	**1,518**
Remeasurements of defined benefit plans	**846**	(2,543)	**7,647**
Total accumulated other comprehensive income	**1,736**	(2,817)	**15,687**
Non-controlling interests	**297**	334	**2,690**
Total net assets	**51,904**	39,781	**468,834**
Total liabilities and net assets	**¥ 139,448**	¥ 139,615	**$ 1,259,584**

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

Consolidated Statement of Operations
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Net sales	¥ **110,788**	¥ 114,599	$ **1,000,711**
Cost of sales	**89,641**	96,764	**809,692**
Gross profit	**21,147**	17,835	**191,018**
Selling, general and administrative expenses (Notes 17 and 18)	**18,176**	20,727	**164,181**
Operating income (loss)	**2,971**	(2,891)	**26,836**
Non-operating income:			
Interest income	**27**	38	**248**
Dividend income	**107**	126	**970**
Equity in earnings of affiliated companies	**345**	268	**3,122**
Other	**69**	36	**628**
Total non-operating income	**550**	470	**4,969**
Non-operating expenses:			
Interest expenses	**727**	722	**6,570**
Financing expenses	**566**	565	**5,114**
Foreign exchange losses	**41**	502	**371**
Other	**94**	33	**853**
Total non-operating expenses	**1,429**	1,824	**12,910**
Ordinary income (loss)	**2,091**	(4,245)	**18,896**
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 19)	**3**	3	**27**
Gain on sales of investment securities	**241**	-	**2,179**
Total extraordinary income	**244**	3	**2,207**
Extraordinary loss:			
Loss on disposal of property, plant and equipment (Note 20)	**13**	7	**118**
Extra retirement payments	**-**	845	**-**
Loss related to Antitrust laws	**-**	79	**-**
Loss on valuation of investment securities	**66**	-	**603**
Total extraordinary loss	**79**	932	**721**
Profit (loss) before income taxes	**2,256**	(5,173)	**20,381**
Income taxes (Note 10):			
Current	**414**	612	**3,748**
Deferred	**(155)**	132	**(1,400)**
	259	745	**2,347**
Profit (loss)	**1,996**	(5,919)	**18,033**
Profit (loss) attributable to non-controlling interests	**(42)**	6	**(381)**
Profit (loss) attributable to owners of parent	¥ **2,038**	¥ (5,926)	$ **18,415**

Profit (loss) per share:	Yen		U.S. dollars (Note 1)
	2021	2020	**2021**
Basic	¥ 114.76	¥ (363.96)	$ 1.04
Diluted	114.63	-	1.04
Cash dividends per share (Note 22)	-	-	-

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

Consolidated Statement of Comprehensive Income
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Profit (loss)	**¥ 1,996**	¥ (5,919)	**$ 18,033**
Other comprehensive income			
Net unrealized holding gains (losses) on securities	**461**	(552)	**4,164**
Foreign currency translation adjustments	**693**	(1,042)	**6,268**
Remeasurements of defined benefit plans	**3,395**	(65)	**30,670**
Share in other comprehensive income of affiliated companies accounted for using the equity method	**9**	(62)	**84**
Total other comprehensive income (Note 21)	**4,559**	(1,722)	**41,187**
Comprehensive income	**¥ 6,556**	¥ (7,641)	**$ 59,221**
Attributable to:			
Owners of parent	**6,593**	(7,635)	**59,554**
Non-controlling interests	**(36)**	(6)	**(333)**

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

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2021

For the Year Ended March 31, 2021

	Shareholders' equity (Note 13) Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 14)	Total shareholders' equity
Balance at April 1, 2020	¥ 21,526	¥ 18,439	¥ 2,401	¥ (102)	¥ 42,264
Changes of items during year					
Issuance of new shares	2,784	2,784			5,569
Cash dividends paid					
Profit (loss) attributable to owners of parent			2,038		2,038
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during year	2,784	2,784	2,038	(2)	7,605
Balance as of March 31, 2021	¥ 24,310	¥ 21,224	¥ 4,440	¥ (105)	¥ 49,870

	Accumulated other comprehensive income (Note 21) Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2020	¥ 269	¥ (543)	¥ (2,543)	¥ (2,817)	¥ 334	¥ 39,781
Changes of items during year						
Issuance of new shares						5,569
Cash dividends paid						
Profit (loss) attributable to owners of parent						2,038
Purchase of treasury shares						(2)
Net changes of items other than shareholders' equity	452	711	3,390	4,554	(36)	4,517
Total changes of items during year	452	711	3,390	4,554	(36)	12,123
Balance as of March 31, 2021	¥ 721	¥ 168	¥ 846	¥ 1,736	¥ 297	¥ 51,904

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2021

	Shareholders' equity (Note 13) Thousands of U.S. dollars (Note 1)				
	Common stock	Capital Surplus	Retained earnings	Treasury shares (Note 14)	Total shareholders' equity
Balance at April 1, 2020	$ 194,435	$ 166,557	$ 21,692	$ (927)	$ 381,758
Changes of items during year					
Issuance of new shares	25,152	25,152			50,304
Cash dividends paid					
Issuance of new shares					
Profit (loss) attributable to owners of parent			18,415		18,415
Purchase of treasury shares				(22)	(22)
Net changes of items other than shareholders' equity					
Total changes of items during year	25,152	2,5152	18,415	(22)	68,697
Balance as of March 31, 2021	$ 219,588	$ 191,709	$ 40,107	$ (949)	$ 450,456

	Accumulated other comprehensive income (Note 21) Thousands of U.S. dollars (Note 1)					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2020	$ 2,437	$ (4,910)	$ (22,978)	$ (25,452)	$ 3,024	$ 359,330
Changes of items during year						
Issuance of new shares						50,304
Cash dividends paid						
Profit (loss) attributable to owners of parent						18,415
Purchase of treasury shares						(22)
Net changes of items other than shareholders' equity	4,083	6,429	30,626	41,139	(333)	40,806
Total changes of items during year	4,083	6,429	30,626	41,139	(333)	109,503
Balance as of March 31, 2021	$ 6,520	$ 1,518	$ 7,647	$ 15,687	$ 2,690	$ 468,834

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

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2021

For the Year Ended March 31, 2020

	Shareholders' equity (Note 13) Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 14)	Total shareholders' equity
Balance at April 1, 2019	¥ 21,526	¥ 18,928	¥ 8,327	¥ (100)	¥ 46,681
Changes of items during year					
Deficit disposition					
Cash dividends paid		(488)			(488)
Profit (loss) attributable to owners of parent			(5,926)		(5,926)
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(488)	(5,926)	(2)	(6,417)
Balance as of March 31, 2020	¥ 21,526	¥ 18,439	¥ 2,401	¥ (102)	¥ 42,264

	Accumulated other comprehensive income (Note 21) Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥ 831	¥ 547	¥ (2,487)	¥ (1,108)	¥ 341	¥ 47,914
Changes of items during year						
Deficit disposition						
Cash dividends paid						(488)
Profit (loss) attributable to owners of parent						(5,926)
Purchase of treasury shares						(2)
Net changes of items other than shareholders' equity	(561)	(1,091)	(56)	(1,708)	(6)	(1,715)
Total changes of items during year	(561)	(1,091)	(56)	(1,708)	(6)	(8,132)
Balance as of March 31, 2020	¥ 269	¥ (543)	¥ (2,543)	¥ (2,817)	¥ 334	¥ 39,781

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Cash Flows
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ **2,256**	¥ (5,173)	$ **20,381**
Depreciation and amortization	**6,049**	7,716	**54,640**
Loss related to Antitrust laws	**-**	79	**-**
(Decrease) increase in net defined benefit liability	**166**	(56)	**1,505**
(Decrease) increase in allowance for doubtful accounts	**(9)**	2	**(89)**
(Decrease) increase in provision for environmental safety measures	**(31)**	(3)	**(286)**
Interest and dividend income	**(134)**	(165)	**(1,219)**
Interest expenses	**727**	722	**6,570**
Foreign exchange loss (gain)	**(291)**	(9)	**(2,634)**
Equity in earnings of affiliated companies	**(345)**	(268)	**(3,122)**
Loss (gain) on disposal of property, plant and equipment, net	**10**	3	**90**
Loss (gain) on sales of investment securities	**(241)**	-	**(2,179)**
Loss on valuation of investment securities	**66**	-	**603**
(Increase) decrease in notes and accounts receivable	**(2,933)**	4,104	**(26,499)**
(Increase) decrease in inventories	**1,466**	1,005	**13,241**
(Decrease) increase in notes and accounts payable	**2,600**	(2,940)	**23,492**
(Decrease) increase in accounts payable – other	**(789)**	(318)	**(7,132)**
Other	**(3,088)**	1,882	**(27,899)**
Sub total	**5,476**	6,580	**49,464**
Interest and dividends received	**279**	328	**2,525**
Interest paid	**(733)**	(701)	**(6,624)**
Income taxes paid	**(528)**	(900)	**(4,772)**
Extra retirement payments	**(836)**	-	**(7,555)**
Payments related to antitrust law	**(1,590)**	(1,381)	**(14,362)**
Net cash provided by (used in) operating activities	**2,067**	3,925	**18,676**
Cash flows from investing activities:			
Purchase of property, plant and equipment	**(3,213)**	(5,036)	**(29,029)**
Proceeds from sales of property, plant and equipment	**13**	9	**120**
Purchase of intangible fixed assets	**(305)**	(618)	**(2,756)**
Proceeds from sales of investment securities	**414**	-	**3,740**
Payments of loans receivable	**(16)**	(14)	**(149)**
Collections of loans receivable	**17**	18	**155**
Other	**55**	194	**505**
Net cash provided by (used in) investing activities	**(3,034)**	(5,447)	**(27,413)**
Cash flows from financing activities:			
Net increase (decrease) in short-term debt	**(7,209)**	3,014	**(65,120)**
Proceeds from long-term debt	**5,300**	10,000	**47,872**
Repayments of long-term debt	**(6,170)**	(2,362)	**(55,738)**
Purchase of treasury shares	**(2)**	(2)	**(22)**
Repayments of lease obligations	**(957)**	(688)	**(8,644)**
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	**5,549**	-	**50,128**
Proceeds from issuance of subscription rights to shares	**19**	-	**176**
Proceeds from sale and leaseback	**-**	1,004	**-**
Cash dividends paid	**-**	(488)	**-**
Net cash provided by (used in) financing activities	**(3,470)**	10,478	**(31,348)**
Effect of exchange rate changes on cash and cash equivalents	**439**	(243)	**3,972**
Net increase (decrease) in cash and cash equivalents	**(3,998)**	8,712	**(36,114)**
Cash and cash equivalents at beginning of year	**27,718**	19,005	**250,371**
Cash and cash equivalents at end of year (Note 6)	¥ **23,720**	¥ 27,718	$ **214,257**

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

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nippon Chemi-Con Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥110.71= U.S. $1, the rate of exchange on March 31, 2021 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rates.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts presented in millions of yen are rounded down to the nearest complete million yen. The U.S. dollar amounts shown are equivalent to the Japanese yen amounts as rounded, translated at the rate stated above and then rounded down to the nearest complete thousand dollars.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, all of its subsidiaries. The accounts of certain subsidiaries are included in the consolidated financial statements on the basis of a December 31 fiscal year end. These financial statements are prepared in conformity with financial accounting standards in Japan which require elimination of intercompany accounts and transactions.

The number of consolidated subsidiaries and an affiliated company is as follows:

	2021
Consolidated subsidiaries	**21**
Affiliated company	**1**

Investments in all affiliated companies, with minor exceptions, are stated at their underlying equity value.

CHENI-CON EAST JAPAN MATERIALS CORP. was founded due to incorporation-type company split for CHEMI-CON IWATE COPR CORP. and CHEMI-CON FUKUSHIMA CORP. at April 1, 2020. At the same time CHENI-CON EAST JAPAN MATERIALS CORP. was incorporated to the range of consolidation. Also, CHEMI-CON IWATE CORP. and CHEMI-CON FUKUSHIMA CORP which were the consolidated subsidiaries were merged by the surviving company, CHENI-CON MIYAGI CORP. April 1, 2020. At the same time CHENI-CON MIYAGI CORP. changed the name to CHEMI-CON EAST JAPAN CORP.

(2) Financial Instruments

1) Securities

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in the net profit or loss for the period. The cost of securities sold is determined by the moving average method.

2) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. However, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is, as permitted under the "Accounting Standard for Financial Instruments", added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(3) Inventories

Merchandise and supplies are stated at cost, determined by the last purchase price method, but written down based on the declines in profitability.

Inventories other than merchandise and supplies are stated at cost, but written down based on the declines in profitability. In determining cost, either the total average method or the first-in, first-out method for finished goods and work in process, and either the first-in first-out method or the last purchase price method for raw materials are used.

(4) Depreciation

Depreciation for property and plant is computed primarily using the straight-line method over the estimated useful lives of the assets. Depreciation for Equipment (except for lease assets and right-of-use assets) are changed to straight-line method from April 1,2020.

Finance lease assets that transfer ownership are depreciated or amortized as the same method as property, plant and equipment is adopted. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Right-of-use assets are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

(5) Allowance for Doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using a percentage of their own actual experience of bad debt loss against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Bonus Reserve

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries provide for estimated bonus payments attributable to the services provided by the employees during the year.

(7) Provision for Environmental Safety Measures

In accordance with the “Law Concerning Special Measures for Promotion of Proper Treatment of Poly Chlorinated Biphenyl Waste (PCB Waste),” the Company provides the estimated amount which will be required at the balance sheet date for the disposal of PCB Waste that will be generated through the Company’s operations.

(8) Retirement benefit

The retirement benefit obligations for employees are attributed to each period by the benefit formula method.

Prior service costs are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year in which they arise. Actuarial differences are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year following the year in which they arise.

Unrecognized prior service costs and unrecognized actuarial differences are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after the tax effect adjustment.

Significant hedge accounting

1) Hedge accounting
The Interest swap agreements meeting the requirements for exceptional accounting method are accounted for using the exceptional accounting method.

2) Hedging instruments and hedged items
Hedging instruments
Interest swap
Hedged items
Interest of loans

3) Hedge policy
The Company and its consolidated subsidiaries enter into interest swap agreements to hedge risks from fluctuation in interest rate of loans. The hedged items are assessed for each agreement.

4) Assessment of hedge effectiveness
Assessment of hedge effectiveness of interest swap agreements are omitted as permitted under the exceptional accounting method.

(9) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net profit or loss for the period.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in the yen amounts, arising from the use of different rates, are presented as "Foreign currency translation adjustments" in Net Assets and Other comprehensive income.

(10) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Company and its wholly-owned domestic subsidiaries adopt the Japanese consolidated taxation system. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets, liabilities and those as reported in the consolidated financial statements.

(11) Consumption taxes

Consumption taxes are excluded from presentation of sales, cost of sales, income and expenses.

(12) Profit and Cash dividends per Share

Basic Profit per share is based on the average number of common shares outstanding during each year.
Cash dividends per share shown for each year in the accompanying Consolidated Statements of Operations represents dividends approved by shareholders for the respective years.

(13) Research and Development Expense and Computer Software

Research and development expense is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except where it contributes to the generation of income or future cost savings. Such expenditure is capitalized as an intangible fixed asset and is amortized using the straight-line method over its estimated useful life of 5 years.

(14) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits which can be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(15) Significant accounting estimates

Recoverability of Deferred Tax Assets

1) The amount presented on the balance sheets at March 31,2021
Deferred Tax Assets (Net) ¥1,248 million (¥1,784 million before offsetting deferred tax liabilities)

2) Details of significant accounting estimates related to the identified items
i) Calculation method
The Company determines the recoverability of deferred tax assets for future deductible temporary differences and tax loss carryforwards by estimating taxable income for next year. Estimate of taxable income for next year is calculated based on the business plan for next year

ii) Significant assumption

The significant assumption for business plan for next year is forecasted sales volume

ⅲ)Impact on financial statements for the following year

Recoverability of deferred tax assets depends on estimation of taxable income for the future. Therefore, if the conditions and the assumptions will be changed or reduced, there is some possibility of reducing the deferred tax assets.

3. Change in Accounting Policy that is Difficult to Distinguish from Change in Accounting Estimate

(Change in the method of depreciation of fixed assets)
Effective from the beginning of the fiscal year ended March 31, 2021, the Company and its domestic subsidiaries have changed their depreciation method for property, plant and equipment from the declining-balance method to the straight-line method. Through the fiscal year ended March 31, 2020, the Company and its domestic subsidiaries primarily used the declining-balance method for the property and equipment excluding leased assets, buildings (other than facilities attached to buildings) and facilities attached to buildings and structures acquired since April 1, 2016.

The Nippon Chemi-Con Group (The Group) have launched the Group's 9th Medium-term Management Plan in April 2020. The Group is planning the capital investment for re-engineering the production structures at overseas production sites also, maintaining, improving and rationalizing the production capacity of existing facilities at domestic production. The Group reviewed our depreciation method according to changing in circumstances surrounding property, plant and equipment. As a result of the review, it is expected that it will operate in the long term stably over the useful lives in the future than ever before. Therefore, The Group considered that it was more appropriate to calculate equally the depreciation cost for appropriate presentation regarding the Company and its domestic subsidiaries' business status.

As the result of this change, operating income, ordinary income and profit before income taxes for the current consolidated fiscal year increased by ¥918 million ($8,300 thousand) compared to the conventional method.

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(Accounting standards issued but not yet effective)
Accounting Standards for Revenue Recognition
・Accounting standards Board of Japan("ASBJ") Statement No.29 issued on March 30, 2020
・Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, issued on March 30, 2018)

(1) Overview
A comprehensive accounting standard for revenue recognition. It is recognized by applying the following steps.
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contact
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contact
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled application date
It will be applied from the fiscal year of FY2022

(3) Impact of accounting period

The amount of impact is being evaluated at the time of making consolidated financial statements

(Effect of application of Accounting Standard and Implementation Guidance)

・Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
・Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
・Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
・Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
・Implementation Guidance on Disclosures about Fair Value of Financial Instruments
(ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

For the purpose of improving the comparability with the provisions of international accounting standards, the "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" ("Accounting Standard for Fair Value Measurement, etc.") were developed, and guidance on the method of measuring fair value, etc. were established. The Accounting Standard for Fair Value Measurement, etc. are applicable to the fair value of the following items:

・Financial instruments in the "Accounting Standard for Financial Instruments"
・Inventories held for trading purposes in the "Accounting Standard for Measurement of Inventories."

Also, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, setting forth notes on such matters as the breakdown of financial instruments at each level in terms of their fair value.

(2) Scheduled application date

It will be applicated from the fiscal year of FY2022

(3) Effect of application of Accounting Standards and Implementation Guidance

The amount of impact is being evaluated at the time of making consolidated financial statement.

4. Change in presentation method

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 of March 31, 2020) beginning from the consolidated financial statements for the end of the fiscal year ended March 31, 2021, and has disclosed information related to the significant accounting estimates on its consolidated financial statements in the notes.

However, in the notes, the Company does not disclose any matters concerning the fiscal year ended March 31, 2020, in accordance with the transitional treatment prescribed in the paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates.

5. Additional information

(Accounting estimates associated with the spread of COVID-19)

The Company expects that the COVID-19 pandemic will not have significant impact on the accounting estimates at this time, although it is difficult to estimate the extent of further spread of the virus or when the pandemic will end. The effects of the infections are still highly uncertain. Therefore, the actual result may differ from the accounting estimates used in the consolidated financial statements.

6. Cash and cash equivalents

Reconciliation of cash and cash equivalents to the amount presented on the balance sheets at March 31, 2021 and 2020 is as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2021		2020		**2021**	
Cash and deposits	**¥**	**23,725**	¥	27,724	**$**	**214,305**
Time deposits with a deposit term of over 3 months		**(5)**		(5)		**(48)**
Cash and cash equivalents	**¥**	**23,720**	¥	27,718	**$**	**214,257**

7. Inventories

Inventories at March 31, 2021 and 2020 comprised of the following:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2021		2020		**2021**	
Finished goods and merchandise	**¥**	**12,055**	¥	11,505	**$**	**108,894**
Work-in-process		**8,655**		10,311		**78,179**
Raw materials and supplies		**4,818**		4,713		**43,525**
Total	**¥**	**25,529**	¥	26,531	**$**	**230,600**

8. Investment securities

At March 31, 2021 and 2020, the acquisition cost, fair value and unrealized gains or losses of investment securities, whose fair value is available, are as follows:

	Millions of yen							
	2021				2020			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:								
Equity securities	**¥ 2,052**	**¥ 1,083**	**¥ 243**	**¥ 2,892**	¥ 2,225	¥ 591	¥ 348	¥ 2,468
Total	**¥ 2,052**	**¥ 1,083**	**¥ 243**	**¥ 2,892**	¥ 2,225	¥ 591	¥ 348	¥ 2,468

	Thousands of U.S. dollars (Note 1)			
	2021			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:				
Equity securities	**$ 18,541**	**$ 9,790**	**$ 2,200**	**$ 26,130**
Total	**$ 18,541**	**$ 9,790**	**$ 2,200**	**$ 26,130**

9. Short-term and long-term debt

The weighted average interest rates applicable to loans for the years ended March 31, 2021 and 2020 are 1.31% and 1.11%, respectively.

Short-term debt at March 31, 2021 and 2020 comprised of the following:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Bank loans and overdrafts	**¥**	**14,024**	¥	**21,294**	**$**	**126,680**
Current portion of long-term debt		**15,117**		**6,257**		**136,551**
Lease obligations (Short-term)		**1,000**		**919**		**9,033**
Total	**¥**	**30,142**	¥	**28,471**	**$**	**272,265**

Long-term debt at March 31, 2021 and 2020 comprised of the following:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Loans:						
Loans, principally from banks and insurance companies due from 2021 to 2026 with interest rates ranging from 0.35% to 5.20%	**¥**	**39,012**	¥	39,969	**$**	**352,382**
Lease obligations (Long-term)		**3,784**		4,347		**34,185**
		42,797		44,316		**386,568**
Less: current portion		**(15,117)**		(6,257)		**(136,551)**
Total	**¥**	**27,679**	¥	38,059	**$**	**250,017**

Note: The Company has a syndicate loan contract, a term loan contract and a commitment line with financial institutions. These include financial covenants that are computed based on the consolidated balance sheet, etc.

10. Income Taxes

The Company is subject to various taxes based on income which, in aggregate, resulted in a statutory tax rate of approximately 30.62 % for the year ended March 31, 2021.

Significant components of deferred tax assets and liabilities as at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Deferred tax assets:			
Bonus reserve	**¥ 485**	¥ 458	**$ 4,386**
Net defined benefit liability	**1,319**	2,342	**11,923**
Tax loss carryforwards	**5,580**	7,257	**50,402**
Unrealized gain on inventories	**105**	105	**948**
Loss on devaluation of inventories	**122**	135	**1,105**
Accrued expenses	**138**	648	**1,252**
Accounts payable-other	**-**	256	**-**
Other	**622**	567	**5,621**
Total gross deferred tax assets	**8,374**	11,771	**75,641**
Valuation allowance for tax loss carryforwards[1]	**(5,420)**	(7,257)	**(48,957)**
Valuation allowance for total deductible temporary differences	**(1,169)**	(2,856)	**(10,563)**
Subtotal of valuation allowance[2]	**(6,589)**	(10,114)	**(59,521)**
Total deferred tax assets	**1,784**	1,657	**16,120**
Deferred tax liabilities:			
Net unrealized gains on securities	**(277)**	(74)	**(2,508)**
Depreciation recorded by foreign subsidiaries	**(284)**	(325)	**(2,572)**
Other	**(193)**	(156)	**(1,747)**
Total deferred tax liabilities	**(755)**	(556)	**(6,828)**
Net deferred tax assets	**¥ 1,028**	¥ 1,100	**$ 9,291**

Notes:
1. Valuation allowance decreased by ¥3,525 million from the previous fiscal year. The main reason for the change is a decrease in valuation allowance for tax loss carryforwards of ¥1,837 million
2. Amounts of tax loss carryforward and related deferred tax assets by expiry date as of March 31, 2021 and 2020 are as follows:

	Millions of yen						
	2021						
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	**¥ 2,195**	**¥ 1,223**	**¥ 16**	**¥ 2**	**¥ 44**	**¥ 2,097**	**¥ 5,580**
Valuation allowance	**¥ 2,050**	**¥ 1,223**	**¥ 16**	**¥ 2**	**¥ 44**	**¥ 2,082**	**¥ 5,420**
Deferred tax assets(*)	**¥ 144**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ 15**	**¥ 159**

	Thousands of U.S. dollars (Note 1)						
	2021						
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	**$ 19,827**	**$ 11,053**	**$ 148**	**$ 26**	**$ 398**	**$ 18,948**	**$ 50,402**
Valuation allowance	**$ 18,518**	**$ 11,053**	**$ 148**	**$ 26**	**$ 398**	**$ 18,813**	**$ 48,957**
Deferred tax assets(*)	**$ 1,309**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 135**	**$ 1,444**

	Millions of yen						
	2020						
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	**¥ 1,907**	**¥ 2,193**	**¥ 1,223**	**¥ 16**	**¥ 2**	**¥ 1,914**	**¥ 7,257**
Valuation allowance	**¥ 1,907**	**¥ 2,193**	**¥ 1,223**	**¥ 16**	**¥ 2**	**¥ 1,914**	**¥ 7,257**
Deferred tax assets(*)	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**

(*): The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

For the year ended March 31, 2021, the reconciliation between the statutory tax rate and the effective income tax rate is as follows:

	2021	2020
Statutory tax rate	30.62 **%**	- %
Increase (decrease) in taxes resulting from:		
Expenses not deductible for income tax purposes	2.08	-
Capita levy on inhabitant tax	2.19	-
Overseas withholding taxes	2.55	-
Nontaxable dividend income	(0.29)	-
Change in the valuation allowance	(23.26)	-
Difference in subsidiaries' tax rates	(2.66)	-
Effect of eliminated dividend income	-	-
Other	0.28	-
Effective income tax rate	11.52 **%**	- %

Due to the recording of a loss before income taxes, a reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2020 has been omitted

11. Retirement Benefit Plan

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have defined benefit plans which consist of defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.
In addition, in certain cases, the Company pays special retirement allowances to retiring employees, which are not covered by employee retirement regulations.

The changes in the defined benefit obligation for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Balance at the beginning of the year	¥	**26,510**	¥	27,364	$	**239,458**
Service cost		**965**		978		**8,725**
Interest cost		**180**		178		**1,626**
Actuarial loss		**57**		236		**522**
Retirement benefit paid		**(1,656)**		(1,253)		**(14,963)**
Transfer to Account payable-other		**-**		(833)		**-**
Other		**149**		(160)		**1,348**
Balance at the end of the year	¥	**26,207**	¥	26,510	$	**236,719**

The changes in the plan assets for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Balance at the beginning of the year	¥	**18,127**	¥	18,170	$	**163,739**
Expected return on plan assets		**224**		227		**2,031**
Actuarial loss or gain		**3,220**		(188)		**29,087**
Contributions by the company		**598**		625		**5,408**
Retirement benefit paid		**(1,014)**		(700)		**(9,160)**
Other		**20**		(6)		**(187)**
Balance at the end of the year	¥	**21,178**	¥	18,127	$	**191,293**

The reconciliations of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefit recognized in the consolidated balance sheets as of March 31, 2021 and 2020 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Funded defined benefit obligations	¥	**17,292**	¥	17,517	$	**156,196**
Pension assets		**(21,178)**		(18,127)		**(191,293)**
		(3,885)		(609)		**(35,096)**
Unfunded defined benefit obligations		**8,914**		8,992		**80,522**
Net amount of liabilities and assets in consolidated balance sheet		**5,029**		8,382		**45,425**
Net defined benefit liability		**5,029**		8,382		**45,425**
Net amount of liabilities and assets in consolidated balance sheet	¥	**5,029**	¥	8,382	$	**45,425**

Note: Certain domestic consolidated subsidiaries calculate the defined benefit obligations using the simplified method in calculating of defined benefit obligation.

The components of retirement benefit expense for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Service cost	¥	**965**	¥	978	$	**8,725**
Interest cost		**180**		178		**1,626**
Expected return on plan assets		**(224)**		(227)		**(2,031)**
Amortization of unrecognized actuarial loss		**386**		501		**3,489**
Amortization of prior service cost		**(152)**		(152)		**(1,379)**
Retirement benefit expense	¥	**1,154**	¥	1,278	$	**10,431**

The breakdown of items in other comprehensive income before tax effect for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
		2021		2020		**2021**
Actuarial loss	¥	**(3,548)**	¥	(76)	$	(32,054)
Prior service cost		**152**		152		1,379
Total	¥	**(3,396)**	¥	75	$	(30,675)

The breakdown of items in accumulated other comprehensive income before tax effect as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Unrecognized actuarial loss	¥ **(881)**	¥ 2,660	$ **(7,964)**
Unrecognized prior service cost	**94**	(58)	**851**
Total	¥ **(787)**	¥ 2,601	$ **(7,112)**

The breakdown of pension assets by major category as of March 31, 2021 and 2020 are as follows:

	2021	2020
Equity securities	**40%**	35%
General account	**19%**	22%
Alternatives	**13%**	14%
Bonds	**26%**	27%
Other	**2%**	2%
Total	**100%**	100%

Notes: 1. Alternatives mainly consisted of investments in hedge funds.
2. The total of plan assets includes employee pension trusts for the benefit pension plans, which accounts for 18% of the total as of March 31, 2021 and 12% as of March 31, 2020.

The items of actuarial assumptions as of March 31, 2021 and 2020 are as follows (The discount rate is shown as weighted average.):

	2021	2020
Discount rate	**Primarily 0.3%**	Primarily 0.3%
Expected rate of long-term return on plan assets	**Primarily 1.25%**	Primarily 1.25%

The amounts paid to the defined contribution pension plans for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Defined contribution pension plans	¥ **182**	¥ 200	$ **1,647**

12. Derivatives

The Company and its consolidated subsidiaries selectively engage in derivative financial instrument transactions in order to manage the market risks from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

(1) Derivative transactions to which hedge accounting is not applied

1) Currency-related transactions

	Millions of yen					
	March 31, 2021			March 31, 2020		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts						
Sell:						
US$	**¥ 7,494**	**¥ (122)**	**¥ (122)**	¥ 5,742	¥ 102	¥ 102
Euro	**1,411**	**(0)**	**(0)**	933	14	14
Won	**-**	**-**	**-**	55	(0)	(0)
Buy						
US$	**1,831**	**36**	**36**	-	-	-
JPY	**77**	**(2)**	**(2)**	-	-	-
	¥ 10,815	**¥ (88)**	**¥ (88)**	¥ 6,731	¥ 116	¥ 116

	Thousands of U.S. dollars (Note 1)		
	March 31, 2021		
	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts			
Sell:			
US$	**$ 67,695**	**$ (1,110)**	**$ (1,110)**
Euro	**12,747**	**(2)**	**(2)**
Won	**-**	**-**	**-**
Buy			
US$	**16,547**	**330**	**330**
JPY	**703**	**(18)**	**(18)**
	$ 97,694	**$ (801)**	**$ (801)**

2) Interest-related transactions

None

(2) Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

None

2) Interest-related transactions

			Millions of yen					
			March 31, 2021			March 31, 2020		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	**23,700**	**12,200**	**(*)**	26,788	23,700	(*)

			Thousands of U.S. dollars (Note 1)		
			March 31, 2021		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	**214,072**	**110,197**	**(*)**

(*) Fair value of interest rate swaps accounted for under the exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

13. Shareholders' equity

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

14. Treasury shares

A reconciliation of the beginning and ending amount of treasury shares is as follows:

		2020		Increase during the year		Decrease during the year		**2021**
Number of shares		32,617		1,485		-		**34,102**
Total price (Millions of yen)	¥	102	¥	2	¥	-	**¥**	**105**
Total price (Thousands of U.S. dollars) (Note 1)	$	927	$	22	$	-	**$**	**949**

15. Pledged assets

There are no pledged assets.

16. Related party transactions

Samyoung Electronics Co., Ltd.（Samyoung）is a 33.4%-owned affiliated company of the Company. The Company principally purchases Samyoung's products and the Company sells its products and materials.

Transaction's terms and policy

(1) Purchase prices of Samyoung's products are determined in consideration of the market prices and total costs.

(2) Sales prices of materials for capacitors and equipment are determined in consideration of the market prices and total costs.

(3) The transaction prices of materials supplied to Samyoung are determined in consideration of the market prices and total costs.

Significant balances at March 31, 2021 and 2020 and transactions for the years ended March 31, 2021 and 2020 with related parties are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Investment securities	**¥ 12,141**	¥ 11,906	**$ 109,669**

	Millions of yen					
	2021			2020		
	Transaction amount	Account Title	Balance at end of year	Transaction amount	Account title	Balance at end of year
Purchase of affiliates' products	**¥ 3,932**	Accounts payable	**¥ 478**	¥ 3,908	Accounts payable	¥ 231
Sales of materials and equipment	**643**	Accounts receivable -trade	**80**	432	Accounts receivable -trade	28
Supply of materials	**¥ 1,196**	Accounts receivable -other	**¥ 125**	¥ 1,518	Accounts receivable -other	¥ 102

	Thousands of U.S. dollars (Note 1)		
	2021		
	Transaction amount	Account Title	Balance at end of year
Purchase of affiliates' products	**$ 35,523**	Accounts payable	**$ 4,325**
Sales of materials and equipment	**5,816**	Accounts receivable -trade	**727**
Supply of materials	**$ 10,808**	Accounts receivable - other	**$ 1,130**

Condensed financial information of the significant affiliated companies, for which the equity method is applied, as of March 31, 2021 and 2020, and for the years then ended, is follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Total current assets	**¥ 32,516**	¥ 30,673	**$ 293,709**
Total fixed assets	**16,404**	17,081	**148,172**
Total current liabilities	**1,938**	1,555	**17,509**
Total long-term liabilities	**249**	181	**2,250**
Total net assets	**46,733**	46,017	**422,122**
Net sales	**18,191**	18,889	**164,316**
Profit before income taxes	**1,350**	1,068	**12,194**
Net profit	**1,036**	804	**9,359**

17. Selling, general and administrative expenses

The following are the major components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Freight and transportation	¥ **3,340**	¥ 2,938	$ **30,175**
Salaries and wages	**4,072**	4,362	**36,784**
Provision for bonus reserve	**802**	789	**7,252**
Retirement benefit expenses	**445**	466	**4,022**
Depreciation	**1,012**	996	**9,143**
Commission expenses	**539**	2,152	**4,870**
Research and development expenses	**3,710**	4,161	**33,519**

18. Research and Development expenses

The total amounts of research and development expenses for the years ended March 31, 2021 and 2020 are as follows and all of them are charged to income as incurred.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Research and development expenses	¥ **3,710**	¥ 4,161	$ **33,519**

19. Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Machinery, equipment and vehicles	¥ **3**	¥ 3	$ **27**
Total	¥ **3**	¥ 3	$ **27**

20. Loss on disposal of property, plant and equipment

Loss on retirement of property, plant and equipment for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Buildings and structures	¥ **5**	¥ 0	$ **47**
Machinery, equipment and others	**7**	5	**70**
Total	¥ **13**	¥ 7	$ **118**

21. Other comprehensive income

For the years ended March 31, 2021 and 2020, other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Net unrealized holding gains on securities			
Amount arising during the year	¥ **838**	¥ (796)	$ **7,578**
Reclassification adjustments	**(174)**	-	**(1,576)**
Before deferred tax adjustments	**664**	(796)	**6,002**
Deferred tax amounts	**(203)**	243	**(1,837)**
Net unrealized holding gains on securities	**461**	(552)	**4,164**
Foreign currency translation adjustments			
Amount arising during the year	**694**	(1,042)	**6,273**
Reclassification adjustments	**(0)**	-	**(5)**
Foreign currency translation adjustments	**693**	(1,042)	**6,268**
Remeasurements of defined benefit plans			
Amount arising during the year	**3,162**	(424)	**28,564**
Reclassification adjustments	**233**	348	**2,110**
Before deferred tax adjustments	**3,396**	(75)	**30,675**
Deferred tax amounts	**(0)**	10	**(5)**
Remeasurements of defined benefit plans	**3,395**	(65)	**30,670**
Share in other comprehensive income of affiliated companies accounted for using the equity method			
Amount arising during the year	**9**	(62)	**84**
Share in other comprehensive income of affiliated companies accounted for using the equity method	**9**	(62)	**84**
Total other comprehensive income	¥ **4,559**	¥ (1,722)	$ **41,187**

22. Dividends

(1) Year ended March 31, 2021

1) Dividends paid

None

2) Dividends for which the record date came during the year ended March 31, 2021, and the effective date is after said period.

None

(2) Year ended March 31, 2020

1) Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2019	Common stock	¥ **488**	$ **4,489**	Capital surplus	¥ **30.00**	$ **0.28**	March 31, 2019	June 28, 2019

2) Dividends for which the record date came during the year ended March 31, 2020, and the effective date is after said period.

None

23. Financial instruments

(1) Status of financial instruments

1) Policies for financial instruments

The Company and its consolidated subsidiaries invest only in short-term deposits and raise funds from bank borrowings, issuance of corporate bonds and equity securities. The Company and certain consolidated subsidiaries use derivative financial instruments for the purpose of reducing risks of fluctuations in exchange rates and interest rates.

2) Details of financial instruments and related risk

Trade receivables are exposed to the credit risk of customers. In addition, trade receivables denominated in foreign currencies generated by worldwide operations are exposed to the risk of exchange rate fluctuations. This risk is hedged by using forward exchange contracts for, in principle, the net position after offsetting trade receivables denominated in foreign currencies with trade payables denominated in foreign currencies. Investments in securities, which primarily consist of shares of the companies with which the Companies have operational relationships, are exposed to market volatility risk. Trade payables are mostly due within one year.

Short-term and long-term debt are used for the Company's operation and capital expenditure. Variable interest rate loans are exposed to the risk of interest rate fluctuations. Interest rate swap transactions are used as hedges to fix interest expenses for a portion of long-term variable interest rate debts.

Trade payable, account payables – other and debts are exposed to liquidity risk.

Derivative transactions primarily consist of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and payables denominated in foreign currencies.

3) Risk management of financial instruments

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

The credit risk monitoring activities of the Company and its consolidated subsidiaries include review of overdue and balance amounts of each customer as well as review of credit worthiness of major customers on a regular basis in accordance with the sales credit management regulation etc.

The Company enters into derivative transaction with highly rated financial institutions to reduce counterparty risk.

ii) Management of market risk (risks of fluctuations in foreign currency exchange rates and interest rates)

The Company hedges against risks of fluctuations in foreign currency exchange rates related to trade receivables and payables denominated in foreign currencies by entering into foreign exchange forward contracts with contact periods generally not more than half year.

The Company enters into the interest swap contract to mitigate the risk of interest rate fluctuations on debts.

With respect to investments in securities, the Company assesses the fair value and financial status of the issuing entities (transaction partner) at each quarter, and periodically reviews the necessity of such securities, taking into account the Company's relationship with respective transaction partners.

The Company enters into and manages the derivative transactions in accordance with internal rules stipulating authorization and maximum limits of transactions. The accounting division makes journal entries and performs direct confirmation of transaction balances with counterparties.

iii) Management of liquidity risk in financing activities (the risk that the Company may not be able to meet its obligations on scheduled due dates)

The Company manages the liquidity risk by preparing the financial plans on a semiannual and monthly basis, and by entering into commitment line agreements with transacting financial institutions.

4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, or, if there are no market prices, based on reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices. The notional amount of derivatives that are shown in Note 12. "Derivatives" does not represent the amounts exchanged by the parties and do not measure the Company's exposure to market risk.

5) Concentration of credit risk

There is no operating credit for a specific large customer as of the consolidated balance sheet date.

(2) Fair value of financial instruments

The carrying amounts recognized on the consolidated balance sheets, fair values and the differences between them at March 31, 2021 and 2020 are as shown below. Financial instruments for which it is extremely difficult to determine the fair value is not included in the following table. Refer to "Note 2. Summary of Significant Accounting Policies".

	Millions of yen					
	March 31, 2021			March 31, 2020		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
1) Cash and deposits	**¥ 23,725**	**23,725**	**¥ -**	¥ 27,724	27,724	¥ -
2) Notes and accounts receivable-trade	**25,208**	**25,208**	**-**	22,226	22,226	-
3) Investment securities						
i) Investments in securities	**2,892**	**2,892**	**-**	2,468	2,468	-
ii)Investments in stock of subsidiaries and affiliates	**12,055**	**7,186**	**(4,869)**	11,820	4,165	(7,654)
Total assets	**¥ 63,882**	**59,013**	**¥ (4,869)**	¥ 64,238	56,583	¥ (7,654)
1) Notes and accounts payable-trade	**8,815**	**8,815**	**-**	-	-	-
2) Short-term debt (Except for lease obligations)	**29,142**	**29,142**	**-**	27,551	27,551	-
3) Long-term debt (Except for lease obligations)	**23,894**	**24,073**	**178**	33,712	33,608	(104)
Total liabilities	**¥ 61,852**	**62,031**	**¥ 178**	¥ 61,263	61,159	¥ (104)
Derivative transactions	**¥ (88)**	**(88)**	**¥ -**	¥ 116	116	¥ -

	Thousands of U.S. dollars (Note 1)		
	March 31, 2021		
	Carrying amount	Fair value	Difference
1) Cash and deposits	**$ 214,305**	**$ 214,305**	**$ -**
2) Notes and accounts receivable-trade	**227,694**	**227,694**	**-**
3) Investment securities			
i) Investments in securities	**26,130**	**26,130**	**-**
ii)Investments in stock of subsidiaries and affiliates	**108,891**	**64,911**	**(43,980)**
Total assets	**$ 577,022**	**$ 533,042**	**$ (43,980)**
1)Notes and accounts payable-trade	**79,626**	**79,626**	**-**
2) Short-term debt (Except for lease obligations)	**263,231**	**263,231**	**-**
3) Long-term debt (Except for lease obligations)	**215,831**	**217,443**	**1,612**
Total liabilities	**$ 558,689**	**$ 560,301**	**$ 1,612**
Derivative transactions	**$ (801)**	**$ (801)**	**$ -**

The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

Assets:

1) Cash and deposits and 2) Notes and accounts receivable-trade

As the book values cash and deposits and Notes and accounts receivable-trade approximate fair value due to their short maturity, the corresponding book values are used as fair value.

3) Investment securities

The fair values of investment securities are based on quoted market prices of stock exchanges.

Liabilities:

1) Notes and accounts payable-trade

As the book values of Notes and accounts payable-trade and Electronically recorded obligation approximate fair values due to their short maturity, the corresponding book values are used as their fair values.

2) Short-term debt (Except for lease obligations)

The fair value of current portion of long-term debt is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.

As a result, the book value is used as fair value as the book value approximates fair value due to the short maturity.

The fair value of short-term debt except for current portion of long-term debt is recorded at book value as the book value approximates the fair value due to the short maturity.

3) Long-term debt (Except for lease obligations)

The fair value of long-term debt is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.

Derivative transactions

Refer to “Note 12. Derivatives”.

Note 2: Financial instruments of which fair value is extremely difficult to determine

	Consolidated balance sheet					
	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2021		2020		**2021**	
Unlisted shares	¥	**182**	¥	182	$	**1,646**

These items are excluded from "8) Investment securities" since there are no quoted market prices and it is extremely difficult to determine the fair value of such items.

Note 3: Monetary claims at March 31, 2021 and 2020 due within one year

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2021		2020		**2021**	
Cash and deposits	¥	**23,725**	¥	27,724	$	**214,305**
Trade receivables		**25,208**		22,226		**227,694**
Total	¥	**48,933**	¥	49,950	$	**441,999**

Note 4: Redemption schedules of corporate long-term debt with maturities at March 31, 2021 and 2020

	Long-term debt					
	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2021		2020		**2021**	
2021	¥	**15,117**	¥	6,257	$	**136,551**
2022		**2,505**		15,117		**22,627**
2023		**12,017**		2,505		**108,550**
2024		**5,717**		9,017		**51,644**
2025		**1,354**		5,717		**12,233**
2026 and thereafter		**2,300**		1,354		**20,774**

24. Lease

Finance lease assets that transfer ownership are depreciated or amortized on the Straight-line method over the estimated useful lives of the assets with no residual value. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Right-of-use assets are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.
The assumed interest expense is computed using the interest method over the lease terms based on the difference between the acquisition cost of the lease assets and the total lease payments.

25. Segment Information

(1) Overview of reportable segments
The Company defines its reportable segments as those operating units of which discrete financial information is available and results are reviewed by the Board of Directors periodically for the purpose of allocating resources and evaluating performance.
The Company has established a functional business division for the capacitor business that mainly manufactures and sells capacitors. The business division formulates comprehensive strategies for Japan and overseas. Accordingly, the Company has a single segment “Capacitor”.
The “Capacitor” business mainly manufactures and sells aluminum capacitors related products including processed aluminum foils that are used as raw materials.

(2) Method of calculating amounts of net sales, profit (loss), assets, and other items
The accounting policies of the segments are substantially the same as those described in the significant policies in Note 2. “Summary of Significant Accounting Policies”. Profits of reportable segments correspond to operating income.

(Change in the method of depreciation of fixed assets)
As described in 3. Change in Accounting Policy that is Difficult to Distinguish from Change in Accounting Estimate, effective from the beginning of the fiscal year ended March 31, 2021, the Company and its domestic subsidiaries have changed their depreciation method for property, plant and equipment from the declining-balance method to the straight-line method.
As the result, segment profit for the current consolidated fiscal year has increased by ¥884 million ($7,993 thousand) in the capacitor segment and ¥33 million ($307 thousand) in other segment compared to the conventional method.

(3) Information concerning net sales and profit (loss), assets and other items by reportable segment

	Millions of yen					
	2021			2020		
	Capacitor	Other	Consolidated	Capacitor	Other	Consolidated
Net sales:						
Sales to unaffiliated customers	¥ **106,122**	¥ **4,666**	¥ **110,788**	¥ 109,028	¥ 5,571	¥ 114,599
Intersegment sales	**-**	**-**	**-**	-	-	-
Total	**106,122**	**4,666**	**110,788**	109,028	5,571	114,559
Segment profit (loss)	**2,525**	**445**	**2,971**	(3,519)	627	(2,891)
Other:						
Depreciation	**5,991**	**56**	**6,048**	7,643	70	7,714
Increase in fixed assets	**3,442**	**35**	**3,477**	5,490	129	5,620

	Thousands of U.S. dollars (Note 1)		
	2021		
	Capacitor	Other	Consolidated
Net sales:			
Sales to unaffiliated customers	**$ 958,563**	**$ 42,147**	**$ 1,000,711**
Intersegment sales	**-**	**-**	**-**
Total	**958,563**	**42,147**	**1,000,711**
Segment profit (loss)	**22,814**	**4,021**	**26,836**
Other:			
Depreciation	**54,123**	**507**	**54,631**
Increase in fixed assets	**31,094**	**316**	**31,411**

Notes:
1. "Other" includes business segments other than the reportable segment such as CMOS Camera modules and Amorphous Choke Coils.
2. Total segment profit (loss) corresponds to operating profit (loss) in the consolidated statements of operations.
3. Segment assets are not disclosed since the assets are not allocated to each business segment.

(4) Related information

Related information for the years ended March 31, 2021 and 2020 are as follows:

1) Information by product and service

Information by product and service is omitted because the information is same as that of reporting segments.

2) Information by geographic area

i) Net Sales

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Japan	¥ **22,117**	¥ **27,530**	$ **199,781**
China	**37,804**	**36,695**	**341,475**
America	**10,748**	**12,404**	**97,088**
Europe	**13,383**	**14,416**	**120,890**
Others	**26,733**	**23,553**	**241,475**
Total	¥ **110,788**	¥ **114,599**	$ **1,000,711**

ii) Fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Japan	¥ **26,524**	¥ 28,038	$ **239,580**
China	**1,836**	2,101	**16,591**
America	**2,341**	2,680	**21,149**
Europe	**2,602**	2,083	**23,508**
Others	**5,143**	5,610	**46,461**
Total	¥ **38,488**	¥ 40,514	$ **347,292**

iii) Information about major customer

Information about major customer for the years ended March 31, 2021 and 2020 are not presented as there is no customer to whom sales is over 10% in the consolidated statements of operations.