

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FURUKAWA ELECTRIC CO., LTD. AND**  
**SUBSIDIARIES**  
**March 31, 2022 and 2021**

CONSOLIDATED BALANCE SHEETS  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

At March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2022	2021	2022
<b>ASSETS</b>			
Current assets:			
Cash and bank deposits (Note 5)	¥ 65,153	¥ 84,362	\$ 534,041
Marketable securities (Note 6)	3,257	2,923	26,697
Notes and accounts receivable	-	191,930	-
Notes, accounts receivable and contract assets (Note 7)	230,326	-	1,887,918
Inventories (Note 8)	164,116	120,837	1,345,213
Other current assets	41,157	30,653	337,352
Allowance for doubtful accounts	(1,048)	(894)	(8,590)
Total current assets	502,963	429,812	4,122,648
Property, plant and equipment (Notes 10 and 16)			
Land	35,935	35,127	294,549
Buildings	246,887	235,399	2,023,664
Machinery and equipment	551,148	521,457	4,517,607
Leased assets	1,273	1,257	10,434
Right-of-use assets	15,078	11,390	123,590
Construction in progress	20,074	27,108	164,541
Total	870,398	831,741	7,134,410
Accumulated depreciation	(610,235)	(584,996)	(5,001,926)
Net property, plant and equipment	260,163	246,744	2,132,484
Investments and other assets:			
Investments and long-term loans (Notes 6 and 9)	123,930	113,544	1,015,820
Deferred tax assets (Note 18)	7,899	6,948	64,746
Asset for retirement benefits (Notes 2h and 11)	8,127	6,859	66,615
Other non-current assets	33,704	29,168	276,262
Allowance for doubtful accounts	(912)	(1,034)	(7,475)
Total investments and other assets	172,749	155,486	1,415,975
Total	¥ 935,876	¥ 832,044	\$ 7,671,115

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2022	2021	2022
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Short-term debt (Note 10)	¥ 115,000	¥ 103,523	\$ 942,623
Commercial paper (Note 10)	54,000	30,000	442,623
Notes and accounts payable	127,988	115,502	1,049,082
Accrued income taxes	2,649	2,033	21,713
Provision for product defect compensation (Notes 2i and 3)	3,045	4,022	24,959
Other current liabilities	77,033	60,121	631,418
Total current liabilities	<u>379,716</u>	<u>315,204</u>	<u>3,112,426</u>
Long-term liabilities :			
Bonds (Note 10)	40,000	30,000	327,869
Long-term debt (Note 10)	133,120	127,094	1,091,148
Liability for retirement benefits (Notes 2g and 11)	43,806	44,514	359,066
Provision for environmental costs (Note 2j)	9,343	10,229	76,582
Asset retirement obligations	1,485	1,323	12,172
Other long-term liabilities	14,340	12,061	117,541
Total long-term liabilities	<u>242,097</u>	<u>225,222</u>	<u>1,984,402</u>
Contingent liabilities (Note 13)			
Net assets			
Shareholders' equity (Note 12)			
Common stock			
Authorized shares, 250,000 thousand in 2022 and 2021			
Issued shares, 70,666 thousand in 2022 and 2021	69,395	69,395	568,811
Capital surplus	23,178	23,028	189,984
Retained earnings	174,346	168,542	1,429,066
Common treasury stock, at cost			
49,700 in 2022			
49,800 in 2021	(901)	(576)	(7,385)
Total shareholders' equity	<u>266,018</u>	<u>260,388</u>	<u>2,180,475</u>
Accumulated other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	12,446	13,929	102,016
Deferred gain (loss) on derivatives under hedge accounting	2,963	2,677	24,287
Adjustments for retirement benefits	(3,024)	(3,829)	(24,787)
Foreign currency translation adjustments	817	(13,295)	6,697
Total accumulated other comprehensive income	<u>13,201</u>	<u>(518)</u>	<u>108,205</u>
Non-controlling interests	<u>34,843</u>	<u>31,747</u>	<u>285,598</u>
Total net assets	<u>314,062</u>	<u>291,617</u>	<u>2,574,279</u>
Total	<u>¥ 935,876</u>	<u>¥ 832,044</u>	<u>\$ 7,671,115</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

For the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2022	2021	2022
Net sales	¥ 930,496	¥ 811,600	\$ 7,627,016
Cost of sales (Notes 8 and 14)	791,804	682,288	6,490,197
Gross profit	138,691	129,311	1,136,811
Selling, general and administrative expenses (Note 14)	127,263	120,881	1,043,139
Operating income	11,428	8,429	93,672
Other income (expenses):			
Interest and dividend income	2,160	2,302	17,705
Interest expense	(3,375)	(3,586)	(27,664)
Foreign exchange gain	1,496	502	12,262
Equity in income of non-consolidated subsidiaries and affiliates	9,045	-	74,139
Equity in loss of non-consolidated subsidiaries and affiliates	-	(893)	-
Gain on valuation of derivatives	72	-	590
Loss on valuation of derivatives	-	(1,167)	-
Gain on sales of investment securities	1,859	9,521	15,238
Gain on disposal of property, plant and equipment (Note 17)	2,082	22,144	17,066
Loss on disposal of property, plant and equipment (Note 17)	(1,296)	(1,303)	(10,623)
Insurance income (Note 17)	2,051	1,281	16,811
Reimbursement of social contributions for the past year (Note 17)	2,722	-	22,311
Impairment loss (Note 16)	(1,489)	(2,542)	(12,205)
Restructuring costs (Note 17)	(2,303)	-	(18,877)
Provision for product defect compensation (Note 3)	(703)	(4,820)	(5,762)
Loss on transfer of business (Note 17)	(120)	(3,770)	(984)
Loss on Covid-19 (Note 17)	(780)	(1,385)	(6,393)
Other, net	(2,420)	(3,395)	(19,836)
Profit before income taxes	20,430	21,316	167,459
Income taxes (Note 18) :			
Current	5,673	6,047	46,500
Deferred	1,517	3,171	12,434
Total income taxes	7,190	9,219	58,934
Profit	13,239	12,097	108,516
attributable to non-controlling interests	3,145	2,095	25,779
attributable to owners of parent	¥ 10,093	¥ 10,001	\$ 82,730
	Yen		U.S. dollars
Per share of common stock (Notes 2p and 21)			
Basic profit	¥ 143.40	¥ 141.88	\$ 1.18
Diluted profit	¥ -	¥ -	\$ -
Cash dividends applicable to the year	¥ 60.00	¥ 60.00	\$ 0.49

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FURUKAWA ELECTRIC CO., LTD. AND  
 SUBSIDIARIES

For the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2022	2021	2022
Profit	¥ 13,239	¥ 12,097	\$ 108,516
Other comprehensive income (Note 20)			
Unrealized gain (loss) on available-for-sale securities	(1,853)	2,945	(15,189)
Deferred gain (loss) on derivatives under hedge accounting	(205)	4,235	(1,680)
Adjustments for retirement benefits	638	8,124	5,230
Foreign currency translation adjustments	10,876	244	89,148
Share of other comprehensive income of affiliates accounted for by the equity method	5,065	294	41,516
Total other comprehensive income (loss)	14,521	15,844	119,025
Total comprehensive income (loss)	¥ 27,760	¥ 27,941	\$ 227,541
Attributable to :			
Owners of parent	¥ 23,814	¥ 25,888	\$ 195,197
Non-controlling interests	¥ 3,946	¥ 2,053	\$ 32,344

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES**

(For the year ended March 31, 2022)

	Thousands Number of shares of Common stock outstanding	Millions of Yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2021	70,495	¥ 69,395	¥ 23,028	¥ 168,542	¥ (576)	¥ 260,388
Cumulative effect of retrospective application of the accounting policy change		-	-	(30)	-	(30)
Balance at March 31, 2021, reflecting change in accounting policy	70,495	69,395	23,028	168,511	(576)	260,358
Cash dividends paid		-	-	(4,237)	-	(4,237)
Profit attributable to owners of parent		-	-	10,093	-	10,093
Net effect of increase in consolidated subsidiaries		-	-	111	-	111
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method		-	-	56	-	56
Net effect of change in fiscal year end of equity-method affiliates		-	-	(190)	-	(190)
Acquisition of treasury stock	(123)	-	-	-	(360)	(360)
Disposal of treasury stock	12	-	(0)	-	35	35
Net effect of change in parent's equity due to transaction with non-controlling interests		-	150	-	-	150
Net change in items other than those in shareholders' equity		-	-	-	-	-
Net change during the year	(111)	-	150	5,834	(324)	5,659
Balance at March 31, 2022	70,384	¥ 69,395	¥ 23,178	¥ 174,346	¥ (901)	¥ 266,018

	Millions of Yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Adjustment for retirement benefits (Note 11)	Total accumulated other comprehensive income		
Balance at March 31, 2021	¥ 13,929	¥ 2,677	¥ (13,295)	¥ (3,829)	¥ (518)	¥ 31,747	¥ 291,617
Cumulative effect of retrospective application of the accounting policy change	-	-	-	-	-	-	(30)
Balance at March 31, 2021, reflecting change in accounting policy	13,929	2,677	(13,295)	(3,829)	(518)	31,747	291,587
Cash dividends paid	-	-	-	-	-	-	(4,237)
Profit attributable to owners of parent	-	-	-	-	-	-	10,093
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	111
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	56
Net effect of change in fiscal year end of equity-method affiliates	-	-	-	-	-	-	(190)
Acquisition of treasury stock	-	-	-	-	-	-	(360)
Disposal of treasury stock	-	-	-	-	-	-	35
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	150
Net change in items other than those in shareholders' equity	(1,483)	286	14,112	805	13,720	3,095	16,815
Net change during the year	(1,483)	286	14,112	805	13,720	3,095	22,475
Balance at March 31, 2022	¥ 12,446	¥ 2,963	¥ 817	¥ (3,024)	¥ 13,201	¥ 34,843	¥ 314,062

	Thousands of U.S. dollars (Note 4)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2021	\$ 568,811	\$ 188,754	\$ 1,381,492	\$ (4,721)	\$ 2,134,328
Cumulative effect of retrospective application of the accounting policy change	-	-	(246)	-	(246)
Balance at March 31, 2021, reflecting change in accounting policy	568,811	188,754	1,381,238	(4,721)	2,134,082
Cash dividends paid	-	-	(34,730)	-	(34,730)
Profit attributable to owners of parent	-	-	82,730	-	82,730
Net effect of increase in consolidated subsidiaries	-	-	910	-	910
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	459	-	459
Net effect of change in fiscal year end of equity-method affiliates	-	-	(1,557)	-	(1,557)
Acquisition of treasury stock	-	-	-	(2,951)	(2,951)
Disposal of treasury stock	-	(0)	-	287	287
Net effect of change in parent's equity due to transaction with non-controlling interests	-	1,230	-	-	1,230
Net change in items other than those in shareholders' equity	-	-	-	-	-
Net change during the year	-	1,230	47,820	(2,656)	46,385
Balance at March 31, 2022	\$ 568,811	\$ 189,984	\$ 1,429,066	\$ (7,385)	\$ 2,180,475

	Thousands of U.S. dollars (Note 4)						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Adjustment for retirement benefits (Note 11)	Total accumulated other comprehensive income		
Balance at March 31, 2021	\$ 114,172	\$ 21,943	\$ (108,975)	\$ (31,385)	\$ (4,246)	\$ 260,221	\$ 2,390,303
Cumulative effect of retrospective application of the accounting policy change	-	-	-	-	-	-	(246)
Balance at March 31, 2021, reflecting change in accounting policy	114,172	21,943	(108,975)	(31,385)	(4,246)	260,221	2,390,057
Cash dividends paid	-	-	-	-	-	-	(34,730)
Profit attributable to owners of parent	-	-	-	-	-	-	82,730
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	910
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	459
Net effect of change in fiscal year end of equity-method affiliates	-	-	-	-	-	-	(1,557)
Acquisition of treasury stock	-	-	-	-	-	-	(2,951)
Disposal of treasury stock	-	-	-	-	-	-	287
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	1,230
Net change in items other than those in shareholders' equity	(12,156)	2,344	115,672	6,598	112,459	25,369	137,828
Net change during the year	(12,156)	2,344	115,672	6,598	112,459	25,369	184,221
Balance at March 31, 2022	\$ 102,016	\$ 24,287	\$ 6,697	\$ (24,787)	\$ 108,205	\$ 285,598	\$ 2,574,279

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

(For the year ended March 31, 2021)

	Thousands	Millions of Yen				
	Number of shares of	Shareholders' equity				
	Common stock outstanding	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2020	70,487	¥ 69,395	¥ 22,787	¥ 165,101	¥ (598)	¥ 256,685
Cash dividends paid		-	-	(6,002)	-	(6,002)
Profit attributable to owners of parent		-	-	10,001	-	10,001
Net effect of increase in consolidated subsidiaries		-	-	(239)	-	(239)
Net effect of decrease in consolidated subsidiaries		-	-	(65)	-	(65)
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method		-	-	(253)	-	(253)
Acquisition of treasury stock	(0)	-	-	-	(2)	(2)
Disposal of treasury stock	8	-	-	-	23	23
Net effect of change in parent's equity due to transaction with non-controlling interests		-	240	-	-	240
Net change in items other than those in shareholders' equity		-	-	-	-	-
Net change during the year	8	-	240	3,441	21	3,702
Balance at March 31, 2021	70,495	¥ 69,395	¥ 23,028	¥ 168,542	¥ (576)	¥ 260,388

	Millions of Yen							
	Accumulated other comprehensive income					Non-controlling interests	Total net assets	
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Adjustment for retirement benefits (Note 11)	Total accumulated other comprehensive income			
Balance at March 31, 2020	¥ 10,950	¥ (1,691)	¥ (12,853)	¥ (12,810)	¥ (16,405)	¥ 32,750	¥ 273,030	
Cash dividends paid	-	-	-	-	-	-	(6,002)	
Profit attributable to owners of parent	-	-	-	-	-	-	10,001	
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	(239)	
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-	-	(65)	
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	(253)	
Acquisition of treasury stock	-	-	-	-	-	-	(2)	
Disposal of treasury stock	-	-	-	-	-	-	23	
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	240	
Net change in items other than those in shareholders' equity	2,979	4,368	(442)	8,980	15,886	(1,002)	14,883	
Net change during the year	2,979	4,368	(442)	8,980	15,886	(1,002)	18,586	
Balance at March 31, 2021	¥ 13,929	¥ 2,677	¥ (13,295)	¥ (3,829)	¥ (518)	¥ 31,747	¥ 291,617	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

For the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2022	2021	2022
Cash flows from operating activities:			
Profit before income taxes	¥ 20,430	¥ 21,316	\$ 167,459
Adjustments for:			
Depreciation	33,721	32,163	276,402
Equity in (income) loss of non-consolidated subsidiaries and affiliates	(9,045)	893	(74,139)
Gain on sales of marketable securities and investment securities, net	(1,513)	(9,166)	(12,402)
Loss on transfer of business	120	3,770	984
Gain on disposal of property, plant and equipment, net	(786)	(20,840)	(6,443)
Impairment loss	1,489	2,542	12,205
Insurance income	(2,051)	(1,281)	(16,811)
Restructuring costs	2,303	-	18,877
Loss on Covid-19	780	1,385	6,393
Loss on write-down of inventories	373	1,246	3,057
Reimbursement of social contributions for the past year	(2,722)	-	(22,311)
Interest and dividend income	(2,160)	(2,302)	(17,705)
Interest expense	3,375	3,586	27,664
Foreign exchange (gain) loss, net	1,309	338	10,730
(Increase) in trade receivable	-	(13,788)	-
(Increase) in trade receivable and contract assets	(28,208)	-	(231,213)
(Increase) in inventories	(36,005)	(13,770)	(295,123)
Increase in trade payable	11,922	12,161	97,721
(Decrease) increase in liability for retirement benefits	(1,049)	1,059	(8,598)
(Decrease) in provision for product defect compensation	(796)	(13,706)	(6,525)
Other, net	3,333	2,245	27,320
Subtotal	(5,179)	7,852	(42,451)
Interest and dividend income received	2,473	3,287	20,270
Interest expense paid	(3,429)	(3,603)	(28,107)
Income taxes paid	(6,867)	(8,209)	(56,287)
Insurance income received	2,051	1,281	16,811
Restructuring costs paid	(1,563)	-	(12,811)
Loss on Covid-19 paid	(755)	(1,088)	(6,189)
Net cash used in operating activities	(13,269)	(479)	(108,762)
Cash flows from investing activities:			
(Increase) decrease in time deposits, net	(645)	4	(5,287)
Purchases of investment securities	(2,353)	(2,112)	(19,287)
Proceeds from sales and redemption of investment securities	2,462	14,804	20,180
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	595	2,306	4,877
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(266)	-	(2,180)
Purchases of property, plant and equipment	(36,493)	(33,386)	(299,123)
Purchases of intangible assets	(3,521)	(7,325)	(28,861)
Proceeds from sales of non-current assets	2,220	22,370	18,197
Decrease in short-term loans, net	72	3,540	590
Other	(2,144)	(2,110)	(17,574)
Net cash used in investing activities	(40,074)	(1,908)	(328,475)



	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2022	2021	2022
Cash flows from financing activities:			
Increase in short-term debt, net	17,085	2,008	140,041
Increase in commercial paper, net	24,000	15,000	196,721
Proceeds from long-term debt	16,049	55,965	131,549
Repayments of long-term debt	(24,776)	(30,100)	(203,082)
Proceeds from issue of bonds	10,000	-	81,967
Proceeds from non-controlling shareholders	-	452	-
Payments for purchase of common treasury stock	(359)	(9)	(2,943)
Cash dividends paid	(4,240)	(6,001)	(34,754)
Cash dividends paid to non-controlling shareholders	(825)	(521)	(6,762)
Other	(1,912)	(1,651)	(15,672)
Net cash provided by financing activities	<u>35,020</u>	<u>35,140</u>	<u>287,049</u>
Effect of exchange rate changes on cash and cash equivalents	(1,815)	(594)	(14,877)
Net (decrease) increase in cash and cash equivalents	<u>(20,139)</u>	<u>32,158</u>	<u>(165,074)</u>
Cash and cash equivalents at beginning of year	87,189	55,055	714,664
Cash and cash equivalents of newly consolidated subsidiaries	582	819	4,770
Cash and cash equivalents of de-consolidated subsidiaries	-	(866)	-
Cash and cash equivalents of merger	-	22	-
Cash and cash equivalents at end of year (Note 5)	<u>¥ 67,632</u>	<u>¥ 87,189</u>	<u>\$ 554,361</u>

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES

#### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Furukawa Electric Co., Ltd. (the "Company") 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.

Japanese yen figures less than a thousand yen are rounded down to the nearest thousand yen, except where otherwise indicated.

#### 2. Significant Accounting Policies

##### a) Basis of consolidation

(1) The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 109 (109 in 2021) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 14 (13 in 2021) unconsolidated subsidiaries and associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies 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.

The excess of the cost of acquisition over the fair value of the net assets of an acquired

subsidiary at the date of acquisition is amortized over a period of 20 years.

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.

## (2) Fiscal year-end of the consolidated subsidiaries

There are 52 subsidiaries' fiscal year-ends that differ from that of the Company due to local statutory requirements. Those 52 subsidiaries' fiscal year-end is December 31, and the Company makes necessary adjustments if there are any significant transactions. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their closing date to March 31.

## (3) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") 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 International Financial Reporting Standards 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 gains and losses 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.

## (4) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if

the following items are adjusted 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 gains and losses 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 associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument..

#### (5) 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.

#### b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuation in value.

#### c) Financial instruments

##### (1) Debt and equity securities

Debt securities for which the Group has both the positive intent and ability to hold to maturity are classified as "held-to-maturity debt securities" and mainly carried at amortized cost. Securities other than held-to-maturity debt securities and investments in equity securities of non-consolidated subsidiaries and affiliates are classified as "available-for-sale securities" and carried at fair value with unrealized gain and loss, net of tax, reported as a separate component of net assets. For computing gain and loss on securities sold, the cost of these securities is determined using the moving average method. Securities

that do not have readily determinable fair values are recorded at cost. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income. The Group does not hold any trading securities.

Debt securities due within one year are presented as “Marketable securities” under current assets, and all other securities are presented as “Investments and long-term loans” in the accompanying balance sheets.

## (2) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest rates and prices. Foreign exchange forward contracts, currency swap, interest rate swaps and forward contracts for metal materials are utilized by the Group to reduce foreign currency exchange and interest rate risks and price fluctuation risk of raw materials. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted 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 exchange exposures for export sales and purchases are measured at fair value and the unrealized gains and losses are recognized in income.

Forward contracts applied for forecasted (or committed) transactions used are also measured at fair value but the unrealized gains and losses are deferred until the underlying transactions are completed.

Trade receivable and trade payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting.

Long-term debt denominated in foreign currencies for which currency swap are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting. Also, those long-term debt with interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

## d) Inventories

Inventories are stated principally at cost determined using the average method, which requires the amount of the inventories on the balance sheets be written down when there is a decrease in profitability.

## e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount of estimated non-recoverable receivables on an individual account basis, plus the amount calculated by applying the historical bad debt loss ratios to the remaining receivables.

f) Property, plant and equipment

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost. Repairs and maintenance expense are charged to income as incurred. Properties except for leased assets are depreciated principally using the straight-line method.

g) Impairment of fixed assets

The Group reviews its fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount, to be measured as the higher of net selling price or value in use.

Accumulated loss of impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

h) Retirement benefits

Employees who terminate their service with the Company or its domestic consolidated subsidiaries are entitled to lump-sum severance indemnities determined based on accumulated points allocated to employees each year according to their job classification and performance. The liability for these severance indemnities is not funded.

The retirement benefit plans of the Company and its domestic consolidated subsidiaries have features whereby employees who retire at age 55 or over with 20 or more years of service may elect to receive benefits in the form of pensions. These plans, which are non-contributory and funded, generally provide for an annuity payable over a ten-year period subsequent to retirement. The annual contributions for pension benefits include current service costs, amortization of prior service costs and interest on the unfunded portion of past service costs.

The Company and its domestic consolidated subsidiaries recognize retirement benefits based on the estimated amounts of projected benefit obligation reduced by the fair value of the pension plan assets at each fiscal year-end.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized in the year following the year in which the gains and losses are recognized primarily by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of service of the employees.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded as adjustments for retirement benefits in accumulated other comprehensive income within net assets after adjusting for tax effects.

A minimum pension liability adjustment is required for the Company's consolidated subsidiaries in the U.S., generally when the accumulated benefit obligation exceeds plan assets under U.S. GAAP. The minimum liability adjustment, less allowable intangible assets, is directly charged to retained earnings, net of tax benefit, in the accompanying consolidated financial statements.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximates the retirement benefit obligation at year-end.

i) Provision for product defect compensation

Provision for product defect compensation is provided at an amount deemed necessary to cover possible compensation costs.

j) Provision for environmental costs

Provision for environmental costs, mainly to remove Poly Chlorinated Biphenyl ("PCB") and to improve soil conservation, is provided to cover estimated future costs.

k) Revenue Recognition

The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. The nature of performance obligations for each of the Group's major industry and when such obligations are satisfied are as follows:

(1) Manufacture and sale of products

The main business of the Group is the manufacture and sale of infrastructure products, such as information and telecommunications network components and power cables, electrical and electronics products such as automobile parts and copper products for electronic equipment materials, and functional products processed from resin and nonferrous metals.

The Group has determined that its main performance obligation is to deliver finished products to customer. The Group has comprehensively determined that legal title to the asset, the significant risks and rewards of ownership of the assets, transfer of physical possession of the assets, and the right to receive payment of consideration for the asset shall arise at the time of delivery of the product to the customer.

For domestic transactions, control over products is transferred to customer at the time of delivery of the product to the customer, and a performance obligation is considered to have been satisfied. However, since the period from the date of shipment of the product to the date of delivery is a normal period of time, the Group recognizes revenue when the product is shipped based on its significance as selecting the alternative treatment.

For trade transactions, the Group recognizes revenue when the risk-bearing is transferred to customer, mainly based on the terms of trade stipulated by incoterms and other agreements.

For buy-sell transaction, no inventories are recognized because the Group does not obtain control over raw materials and other products, but only record the net amount equivalent to the processing fees as sales.

The Group deducts the amount of the consideration to be paid to customer, such as volume discount and sales incentive, from the transaction price, unless such a consideration to be received from the customer is related to distinct goods or services received from the customers.

#### (2) Maintenance services

The Group provides chargeable maintenance support services after sales of products, in mainly the infrastructure business.

For maintenance services, the Group has determined that it has a performance obligation to always have the services available and on standby so that customer can utilize the maintenance services when the customer desires throughout the performance period.

The Group recognizes revenue at the percentage of time elapsed to the period in which the services are to be provided because the maintenance services are identified as distinct performance obligations and are performed over a certain period of time, including standby status period.

#### (3) Construction contract

The Group performs construction works, such as design, construction, installation, and other work based on contracts with customer in the infrastructure business.

Since the Group transfers control over underlying goods and services over time and satisfies a performance obligation recognizes revenue over time. Measuring progress towards satisfaction of a performance obligation is based on the proportion that the cost incurred by the end of each reporting period to the total expected costs incurred (input method).

In cases where the Group may not be able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For construction contracts with short durations, the Group recognizes revenue at the point of time when a performance obligation is fully satisfied.

#### (4) Transactions conducted as an agent

The Group does not manufacture products and only makes transactions of procurement arrangements on behalf of its customers. If the Group does not control products before transferring it to customer, revenue is recognized on the net amount received from the customer less the amount paid to supplier.

The following are considered in determining whether the Group controls over products or services before these are provided to customer.

- (i) Its primary responsibility for the performance of its promise to provide goods or services



- (ii) The inventory risk before goods or services are provided to customer or after control has been transferred to customer
- (iii) Discretion in establishing the price of goods or services.

The payment after satisfying the Group's performance obligation does not include any significant financing component since the payment will be made generally within one year from that time when such a satisfaction.

l) Research and development costs, and computer software

Research and development expenditure is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except when it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 to 10 years.

m) Leases

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

Depreciation of finance lease assets that transfer ownership of the assets is calculated by the same method applied for property, plant and equipment.

Depreciation of finance lease assets, that do not transfer ownership of the assets, at the end of the lease term, mainly machinery and equipment, and vehicles, is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or lease terms.

n) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income.

Deferred income taxes are recognized to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and measured using the enacted tax rates and laws, which will be in effect when differences are expected to reverse.

The currently effective consolidated tax regime will be replaced by a new regimen of group tax relief from the beginning of the next fiscal year.

As for the items subjected to the transition to the group tax sharing system established under the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020), as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries have not adopted the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, issued on February 16, 2018) in accordance with the treatment under Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation

System to the Group Tax Sharing System” (PITF No. 39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

The Group will apply the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (PITF No. 42, issued on August 12, 2021), from the beginning of the next fiscal year, which stipulated the treatment of accounting and disclosures of income taxes and local income taxes as well as tax effect accounting under the group tax sharing system.

o) Translation of foreign currency accounts

Current and non-current monetary items denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance sheet dates. Monetary items denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation, are translated into Japanese yen at the contracted rates. Exchange gain or loss is credited or charged to current operations.

The Group translates the revenue and expense accounts of the overseas consolidated subsidiaries and affiliates accounted for by the equity method at the average rates of exchange in effect during the year. The balance sheet accounts except for the components of net assets excluding non-controlling interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method, are translated into Japanese yen at the rates of exchange in effect at the respective balance sheet date. The components of net assets excluding non-controlling interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments and non-controlling interests as a component of net assets.

p) 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, retroactively adjusted for stock splits.

Diluted net income per share is not presented as the effect of including potential common shares is anti-dilutive.

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

q) Accounting Changes

(1) Accounting Standard for Revenue Recognition

(i) Overview

Effective April 1, 2021, the Group adopted ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition” issued on March 31, 2020 and others, from the

beginning of this fiscal year and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

The adoption of this accounting standard has made the following changes.

For transactions of purchasing raw materials from customers, processing them, and then selling them to the customers, revenue was previously recognized at the gross amount of the consideration including the purchase price of the raw materials, but now revenue is recognized at the net amount of the consideration excluding the purchase price of the raw materials.

For transactions in which goods or services are provided to a customer as an agent, revenue was previously recognized at the gross amount of consideration received from the customer, but now revenue is recognized at the net amount received from the customer less the amount paid to the supplier.

For export sales, the Company and its domestic consolidated subsidiaries previously recognized revenue mainly on the date of shipment, but now revenue is recognized when the risk burden is transferred to the customer based on the trade terms defined by such as Incoterms.

For construction contracts, previously, the percentage-of-completion method was applied when the outcome of construction contracts could be estimated with certainty, while the completed-contract method was applied for all other construction contracts.

Revenue is now recognized over a period of time as performance obligations are satisfied.

The percentage of progress toward satisfying performance obligations is estimated using the ratio of actual cost to be estimated total cost (input method) if the outcome of the performance obligations can be reasonably measured.

When the percentage of completion of performance obligations cannot be reasonably estimated, but the costs incurred are expected to be recovered, revenue is recognized on a cost recovery basis. For very short-term construction contracts, revenue is recognized when the performance obligations are fully satisfied.

Certain sales rebates and other consideration paid to customers were previously treated as selling, general and administrative expenses, but have been reduced from net sales.

(ii) Cumulative effect of retrospective application

In terms of applying the Accounting Standard for Revenue Recognition and others, according to the transitional provisions described in the proviso of the paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of this fiscal year, were added to, or deducted from retained earnings at the beginning of this fiscal year.

However, in accordance with paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not applied retrospectively to contracts for which almost of all of the revenue amounts have had been recognized by the

previous accounting policy before the beginning of this fiscal year.

In addition, in accordance with the method prescribed in paragraph 86 note (1) of the Accounting Standard for Revenue Recognition, contract modifications made prior to the beginning of this fiscal year are accounted for based on the contract terms after reflecting all of contract modifications, and the cumulative effect of such modifications was added to or deducted from retained earnings at the beginning of this fiscal year.

(iii) Changes in the financial statement presentation items

In the consolidated balance sheets, "Notes and accounts receivable" under "Current assets" reported in the previous fiscal year are reported in "Notes, accounts receivable and contract assets" from this fiscal year.

In the consolidated statements of cash flows, "(Increase) in trade receivable" under "Cash flows from operating activities" are reported in "(Increase) in trade receivable and contract assets" from this fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the reclassification has not been made to conform to the new presentation for the previous fiscal year

(iv) Impact of adoption of accounting standard and implementation guidance

Comparing with the consolidated statements of income before applying the Accounting Standard for Revenue Recognition and others, in such consolidated statements of income for this fiscal year, "Net sales", "Cost of sales", and "Selling, general and administrative expenses" decreased by ¥52,533 million (\$430,598 thousand), ¥51,805 million (\$424,631 thousand), ¥342 million (\$2,803 thousand), respectively. And "Profit before income taxes" decreased by ¥386 million (\$3,164 thousand).

In the consolidated balance sheet for this fiscal year, the impact was immaterial.

In the consolidated statements of cash flows for this fiscal year, "Profit before income taxes" decreased by ¥386 million (\$3,164 thousand).

In the consolidated statements of changes in net assets, the beginning balance of retained earnings decreased by ¥30 million (\$246 thousand) due to the cumulative effect of retrospective application of the accounting policy change at the beginning of this fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes for the previous fiscal year are not presented.

## (2) Accounting Standard for Fair Value Measurement

The Group applied, "Accounting Standard for Fair Value Measurement" ("ASBJ Statement No. 30" issued on July 4, 2019) from the beginning of this fiscal year.

In accordance with paragraph 19 of this accounting standard and the transitional provisions described in the provision to paragraph 44-2 of Accounting Standard for

Financial Instruments (“ASBJ Statement No 10“ issued on July 4, 2019), the Group is to apply the ASBJ Statement No. 30 prospectively.

There is no impact on the consolidated financial statements.

In addition, the notes to the "Financial Instruments" include items related to the breakdown of the fair value of financial instruments by level of fair value and relevant information. However, in accordance with the transitional treatment stipulated in paragraph 7-4 of Guidance on Disclosures about Fair Value of Financial Instruments (“ASBJ Guidance No 19” issued on July 4, 2019), such notes related to the previous fiscal year are not presented for the previous fiscal year.

r) Standards issued but not yet effective

(1) The Company and its consolidated domestic subsidiaries

(i) Overview

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (“ASBJ Guidance No. 31” issued on June 17, 2021) defines the treatment of calculation of the market value of investment trusts and notes to the market value of investments in partnerships, etc., in which the net amount of equity interest is recorded on the balance sheet.

(ii) Schedule date of adoption

This standard will be applied from the beginning of the fiscal year ending March 31, 2023.

(iii) Impact of adoption of new accounting standard and implementation guidance

The effect amount is currently being evaluated in preparing its consolidated financial statements.

(2) Overseas consolidated subsidiaries

(i) Overview

Leases (US GAAP ASU 2016-02) generally requires a lessee the recognition of right-of-use assets and lease liabilities for all leases on the financial statements.

(ii) Schedule date of adoption

This standard will be applied from the beginning of the fiscal year ending March 31, 2023.

(iii) Impact of adoption of accounting standard and implementation guidance

The effect amount is currently being evaluated in preparing its consolidated financial statements.

s) Additional information

Based upon a resolution of the 194th Ordinary General Meeting of Shareholders on June 27, 2016, the Company has introduced a Performance-Linked Stock Compensation System (Board Benefit Trust, hereafter the “BBT”) to a part of remuneration for the Directors excluding the Outside Directors, and the Executive Officers other than the Directors and the Senior Fellow (collectively the “Directors, etc.”) in order to make stronger linkage to

the Company's business performance and contribute to higher corporate value on a medium - to long-term basis.

(i) Overview

In accordance with the Stock Benefit Regulations for Executives (the "Regulation"), previously set out by the Company, points are granted to the Directors, under the BBT during their term in office and the number of shares equivalent to the accumulated points that are granted at the time of their retirement, are provided after adjusting down points linked to the Company's business performance. If the Directors who receive the benefits meet the requirements of the Regulation, money in an amount equivalent to a certain portion of those points granted to the Directors shall be provided to them instead of the Company's shares.

The shares to be provided to the Directors, including the shares to be provided for their future services, have been acquired using monetary assets contributed previously by the Company to the BBT. Those shares are managed separately as an asset in BBT.

(ii) Accounting treatment

The Gross method has been applied in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 issued on March 26, 2015).

(iii) The Company's shares remaining in the BBT

The Company's shares owned by the BBT are accounted for as treasury stock in the Net assets section at book value recorded by the BBT (excluding acquisition-related costs). The book value and the number of shares on treasury stock are ¥605 million (\$4,959 thousand) and 215,500 shares on March 31, 2022, and ¥280 million and 104,900 shares on March 31, 2021, respectively.

### 3. Significant Accounting Estimates

a) The estimates and judgments based on the future business plan

The impact of the new coronavirus infection is expected to recover to a certain degree. Regarding the situation in Russia and Ukraine, there was a direct impact on business assets in Russia, and a fixed asset impairment loss of ¥673 million (\$5,516 thousand) was recorded.

This issue has caused supply instability and price spikes for raw materials such as crude oil and natural gas. In addition, the implementation of economic sanctions against Russia by several countries and Russia's countermeasures against these sanctions have caused supply chain disruptions and other diverse and complex risks.

Therefore, it is extremely difficult to predict all effects including indirect effects on the Group's future performance.

(i) The recoverability of deferred tax assets

Deferred tax assets are recognized based on future taxable income estimated by the future business plan with certain assumptions as described above.

The timing and amount of taxable income may be affected by uncertain future

fluctuations in economic conditions. If the timing and amount of the deferred tax are different from the estimation, this may have a significant impact on the amount of deferred tax assets recognized in the following consolidated fiscal year.

The amount of the deferred tax assets recorded in the consolidated financial statements was ¥7,899 million (\$64,746 thousand) on March 31, 2022 and was ¥6,948 million on March 31, 2021, respectively.

(ii) Impairment of fixed assets

If any impairment indicators exist based on the operating income/loss at the end of each reporting period, the Group assesses whether to recognize an impairment loss. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the total amount of the undiscounted future cash flows generated from the continued use and the net selling price at disposition of the asset or asset group. If recognition of impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount and is recorded as an impairment loss. The net selling value is calculated based on the amount obtained from outside experts, such as the real estate appraisal value in a real estate appraisal report.

In the current fiscal year, the Group assessed mainly the asset group of which operating income/loss was lower than the original budget and became negative due to raw material shortages the rising of raw material price and transportation costs. As a result, the Group determined that an indication of impairment existed in a certain asset group of the Infrastructure segment (¥12,214 million (\$100,115 thousand) of tangible and intangible fixed assets). However, based upon a situation of improvement of productivity and other reasons, the Group concluded that the recognition of impairment loss was not necessary since the total amount of the undiscounted future cash flows generated from the asset group exceeded the carrying amount.

In estimating the total undiscounted future cash flows, the Group used some assumptions, such as sales volumes, unit sales price, market forecast and disposal value of the fixed assets. If the assumptions used to estimate undiscounted future cash flows need to be revised due to uncertain future changes in economic conditions, an impairment loss may be recognized in the next fiscal year.

For the year ended March 31, 2022, the total amount of fixed assets was ¥280,684 million (\$2,300,689 thousand), of which the total amount of asset groups identified as indicative of impairment was ¥12,214 million (\$100,115 thousand).

For the year ended March 31, 2021, the total amount of fixed assets, including property, plant and equipment and intangible assets, was ¥266,994 million, of which the total amount of asset groups identified as indicative of impairment was ¥12,400 million.

b) Provision for product defect compensation

Provision for product defect compensation is provided at an amount deemed necessary to cover possible compensation costs.

In particular, the provision in reference to the automotive parts manufactured by its consolidated subsidiaries, vehicles in which such parts have been incorporated were being recalled, is recognized based on the estimated loss to be incurred if the customer repairs a malfunction of the vehicle with some parts manufactured by the Company's consolidated subsidiaries in the past.

This amount is calculated by multiplying each of the following factors:

- (i) Number of target vehicles
- (ii) Repair costs per unit
- (iii) Expected rate of market recovery measures (recall)
- (iv) Customer burden rate for repair costs

ii) and iii) are estimated based on past recall results and iv) are estimated based on the status of negotiations with customers. These estimates contain uncertainty, and as a result of the situation changes, an additional or reversal of provision may be required.

No significant new projects were identified.

The amount recorded in the consolidated financial statements was ¥3,045 million (\$24,959 thousand) on March 31, 2022 and was ¥4,022 million on March 31, 2021, respectively.

#### 4. U.S. Dollar Amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Group is incorporated and operates. The translations of Japanese yen amount into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 122 to \$1, the approximate rate of exchange as of 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.

#### 5. Cash Flow Information

a) Cash and cash equivalents as of March 31, 2022 and 2021 consisted of:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and bank deposits	¥ 65,153	¥ 84,362	\$ 534,041
Less, time deposits with an original maturity of more than 3 months	(778)	(96)	(6,377)
Highly liquid securities	<u>3,257</u>	<u>2,923</u>	<u>26,697</u>
Cash and cash equivalents	<u>¥ 67,632</u>	<u>¥ 87,189</u>	<u>\$ 554,361</u>

b) The summary of assets and liabilities which were transferred due to business transfer

(For the year ended March 31, 2022)

The following is the summary of the assets and liabilities of Furukawa Logistics Corp. and its subsidiary, Yokohama Drum Manufacturing Co., Ltd, which ceased to be a consolidated subsidiary as a result of the sale of shares, as well as the sales price and proceeds from the sale of shares



	Millions of Yen	Thousands of U.S. dollars
	2022	2022
Current assets	¥ 3,862	\$ 31,656
Non-current assets	1,552	12,721
Current liabilities	(3,987)	(32,680)
Non-current liabilities	(300)	(2,459)
Foreign currency translation adjustments	(376)	(3,082)
Gain on sales of subsidiaries and affiliates' shares	115	943
Sales amount of those shares	865	7,090
Cash and cash equivalents	(270)	(2,213)
Proceeds from sales of those shares	¥ 595	\$ 4,877

(For the year ended March 31, 2021)

The following is the summary of the assets and liabilities of Daishin P&T Corporation and Furukawa Metal (Thailand) Public Co., Ltd., which ceased to be a consolidated subsidiary as a result of the sale of shares, as well as the sales price and proceeds from the sale of shares.

	Millions of Yen
	2021
Current assets	¥ 12,562
Non-current assets	3,179
Current liabilities	(6,158)
Non-current liabilities	(548)
Foreign currency translation adjustments	473
Deferred loss on derivatives under hedge accounting	(21)
Unrealized loss on available-for-sale securities	(21)
Non-controlling interests	(3,077)
Investment account after sales of shares	(52)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation	(65)
Loss on business transfer	(3,770)
Sales amount of those shares	2,500
Accounts payable - other	114
Cash and cash equivalents	(309)
Proceeds from sales of those shares	¥ 2,306

## 6. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value as of March 31, 2022 and 2021 included in “Marketable securities” (Current assets) and in “Investments and long-term loans” (Non-current assets) are summarized as follows:

	Millions of Yen			
	2022			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ 3,257	¥ 3,257	¥ -	¥ -
Other debt securities	-	-	-	-
Total held-to-maturity debt securities	<u>¥ 3,257</u>	<u>¥ 3,257</u>	<u>¥ -</u>	<u>¥ -</u>
Available-for-sale securities:				
Marketable equity securities	¥ 8,871	¥ 27,115	¥ 18,456	¥ (212)
Other securities	-	-	-	-
Total available-for-sale securities	<u>¥ 8,871</u>	<u>¥ 27,115</u>	<u>¥ 18,456</u>	<u>¥ (212)</u>

	Thousands of U.S. dollars			
	2022			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	\$ 26,697	\$ 26,697	\$ -	\$ -
Other debt securities	-	-	-	-
Total held-to-maturity debt securities	<u>\$ 26,697</u>	<u>\$ 26,697</u>	<u>\$ -</u>	<u>\$ -</u>
Available-for-sale securities:				
Marketable equity securities	\$ 72,713	\$ 222,254	\$ 151,279	\$ (1,738)
Other securities	-	-	-	-
Total available-for-sale securities	<u>\$ 72,713</u>	<u>\$ 222,254</u>	<u>\$ 151,279</u>	<u>\$ (1,738)</u>

	Millions of Yen			
	2021			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ 2,923	¥ 2,923	¥ -	¥ -
Other debt securities	-	-	-	-
Total held-to-maturity debt securities	<u>¥ 2,923</u>	<u>¥ 2,923</u>	<u>¥ -</u>	<u>¥ -</u>

Available-for-sale securities:

Marketable equity securities	¥ 9,125	¥ 29,917	¥ 20,985	¥ (193)
Other securities	4	4	-	-
Total available-for-sale securities	<u>¥ 9,131</u>	<u>¥ 29,923</u>	<u>¥ 20,985</u>	<u>¥ (193)</u>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2022 and 2021 were ¥2,047 million (\$16,779 thousand) and ¥9,518 million, respectively.

The gross realized gains on those sales for the years ended March 31, 2022 and 2021 were ¥1,744 million (\$ 14,295 thousand) and ¥8,431 million, respectively. The gross realized losses on those sales for the year ended March 31, 2022 and 2021 were ¥3 million (\$25 thousand) and ¥31 million, respectively.

Impairment loss on available-for-sale securities with fair value for the years ended March 31, 2022 and 2021 amounted to ¥32 million (\$262 thousand) and ¥236 million, respectively.

## 7. Notes, accounts receivable and contract balances

Notes, accounts receivable and contract assets as of March 31, 2022 consisted of the following:

	Millions of Yen	Thousands of U.S. dollars
	<u>2022</u>	<u>2022</u>
Notes receivable	¥ 20,539	\$ 168,352
Accounts receivable	202,980	1,663,770
Contract assets	6,797	55,713
	<u>230,316</u>	<u>1,887,836</u>
Others	9	74
	<u>¥ 230,326</u>	<u>\$ 1,887,918</u>

In addition, contract liabilities of ¥2,807 million (\$23,008 thousand) is included in “Other current liabilities” on its balance sheet as of March 31, 2022.

## 8. Inventories

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

	Millions of Yen		Thousands of U.S. dollars
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Merchandise and finished goods	¥ 59,932	¥ 38,210	\$ 491,246
Work in process	40,116	34,512	328,820
Raw materials and supplies	64,067	48,114	525,139
	<u>¥ 164,116</u>	<u>¥ 120,837</u>	<u>\$ 1,345,213</u>

The amounts of inventories for normal sales that were written down due to a decrease of profitability are ¥373 million (\$3,391 thousand), and ¥1,246 million for the years ended March 31, 2022 and 2021, respectively, and are charged to cost of sales.

## 9. Investments and Long-term Loans

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

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Non-consolidated subsidiaries and affiliates	¥ 89,981	¥ 77,204	\$ 737,549
Others	33,949	36,340	278,270
	<u>¥ 123,930</u>	<u>¥ 113,544</u>	<u>\$ 1,015,820</u>

## 10. Short-term Debt, Commercial paper, Bonds and Long-term Debt

Short-term debt, commercial paper, long-term debt and bonds as of March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term loans, principally from banks, the weighted average effective interest rate 1.6%	¥ 102,820	¥ 78,149	\$ 842,787
Commercial paper, the weighted average effective interest rate 0.0%	54,000	30,000	442,623
0.43% unsecured bonds due 2026	10,000	10,000	81,967
0.53% unsecured bonds due 2027	10,000	10,000	81,967
0.44% unsecured bonds due 2029	10,000	10,000	81,967
0.30% unsecured bonds due 2031	10,000	-	81,967
Unsecured Loans, principally from banks, due from 2023 to 2030, the weighted average effective interest rate 0.7%	145,299	152,467	1,190,975
	<u>342,119</u>	<u>290,616</u>	<u>2,804,254</u>
Less: portion due within one year	<u>(168,999)</u>	<u>(133,522)</u>	<u>(1,385,238)</u>
	<u>¥ 173,120</u>	<u>¥ 157,094</u>	<u>\$ 1,419,016</u>

As of March 31, 2022, the following assets were pledged as collateral for short-term debt of ¥144 million (\$1,180 thousand):

	Millions of Yen	Thousands of U.S. dollars
	2022	2022
Property, plant and equipment	<u>¥ 366</u>	<u>\$ 3,000</u>

As of March 31, 2021, the following assets were pledged as collateral for short-term debt of ¥127 million:

	<u>Millions of Yen</u>
	<u>2021</u>
Property, plant and equipment	<u>¥ 362</u>

The aggregate annual maturities of the non-current portion of long-term debt and bonds as of March 31, 2022 were as follows:

Year ending March 31	<u>Millions of Yen</u>	<u>Thousands of U.S. dollars</u>
2024	¥ 28,240	\$ 231,475
2025	21,158	173,426
2026	28,721	235,418
2027	27,000	221,311
2028 and thereafter	68,000	557,377
	<u>¥ 173,120</u>	<u>\$ 1,419,016</u>

## 11. Severance and Retirement Plans

### a) Overview

The Company and its consolidated subsidiaries have funded and/or unfunded defined benefit pension plans and/or defined contribution plans. The defined benefit plans consist of Employees' Pension Fund Plan, defined benefit corporation pension plan and lump-sum severance indemnity plan.

There are cases where additional retirement benefits are paid at the time of retirement of employees. The Company has established an employees' retirement benefit trust and certain consolidated subsidiaries have joined multi-employer employees' pension fund.

The plans, which are not possible to reasonably compute the amounts of plan assets corresponding to their own contribution amounts, are accounted for in the same way as the defined contribution plan.

Liability for retirement benefits and net periodic benefit costs are, however, calculated by the simplified method under the defined benefit corporation pension plans and the lump-sum severance indemnity plans set up by a part of consolidated subsidiaries.

On the defined-benefit pension plans and lump-sum payment plans of certain consolidated subsidiaries, liabilities for retirement benefits and retirement benefit expenses are calculated by using the simplified method.

### b) Defined benefit plans

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

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥ 104,922	¥ 105,230	\$ 860,016
Current service cost	4,067	4,007	33,336
Interest cost	970	1,008	7,951
Actuarial gains and losses	(1,122)	1,056	(9,197)
Benefits paid	(6,959)	(6,341)	(57,041)
Net effect resulting from business combinations	-	(442)	-
Foreign currency transaction adjustments	1,823	403	14,943
Balance at end of year	¥ 103,702	¥ 104,922	\$ 850,016

(2) The changes in plan assets for the years ended March 31, 2022 and 2021 excluding pension plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥ 68,943	¥ 59,373	\$ 565,107
Expected return on plan assets	1,782	1,611	14,607
Actuarial gains and losses	(572)	10,061	(4,689)
Contributions from the Company	1,286	1,327	10,541
Benefits paid	(3,322)	(3,789)	(27,230)
Foreign currency transaction adjustments	1,462	358	11,984
Balance at end of year	¥ 69,580	¥ 68,943	\$ 570,328

(3) The changes in net liability for retirement benefits using a simplified method for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥ 1,675	¥ 1,704	\$ 13,730
Retirement benefit expenses	628	389	5,148
Benefits paid	(360)	(318)	(2,951)
Contributions to fund	(202)	(220)	(1,656)
Net effect resulting in change in scope of consolidation	(184)	-	(1,508)
Net effect resulting from business combinations	-	120	-
Balance at end of year	¥ 1,556	¥ 1,675	\$ 12,754

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

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 98,046	¥ 99,706	\$ 803,656
Plan assets	(73,857)	(73,176)	(605,385)
	24,189	26,530	198,270
Unfunded defined benefit obligation	11,489	11,124	94,172
Net liability for defined benefit obligation	<u>35,678</u>	<u>37,654</u>	<u>292,443</u>
Liability for retirement benefits	43,806	44,514	359,066
Asset for retirement benefits	(8,127)	(6,859)	(66,615)
Net liability for defined benefit obligation	<u>¥ 35,678</u>	<u>¥ 37,654</u>	<u>\$ 292,443</u>

Note: The above items include the part used a simplified method.

(5) The components of retirement benefit expenses for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 4,067	¥ 4,007	\$ 33,336
Interest cost	970	1,008	7,951
Expected return on plan assets	(1,782)	(1,611)	(14,607)
Amortization of actuarial gains and losses	496	1,456	4,066
Amortization of prior service cost	21	59	172
Retirement benefit expenses calculated on a simplified method	628	389	5,148
Total retirement benefit expenses	<u>¥ 4,401</u>	<u>¥ 5,310</u>	<u>\$ 36,074</u>

(6) The components of adjustments for retirement benefits in other comprehensive income (before tax effects) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Prior service cost	¥ 66	¥ 95	\$ 541
Actuarial gains and losses	622	10,478	5,098
Total	<u>¥ 689</u>	<u>¥ 10,573</u>	<u>\$ 5,648</u>

(7) The components of adjustments for retirement benefits in accumulated other comprehensive income (before tax effects) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized prior service cost	¥ (120)	¥ (54)	\$ (984)
Unrecognized actuarial gains and losses	3,692	4,315	30,262
Total	¥ 3,571	¥ 4,260	\$ 29,270

(8) Plan assets as of March 31, 2022 and 2021

(i) Components of plan assets

Plan assets consisted of the followings:

	2022	2021
Equity investments	36%	41%
Debt investments	30%	22%
Assets in a life-insurer's general account	18%	18%
Cash and deposits	3%	2%
Others	13%	16%
Total	100%	100%

Note: The above plan assets included 17% and 16% of assets held by the retirement benefit trust set up for the retirement benefit plan as of March 31, 2022 and 2021, respectively.

(ii) 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.

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

	2022	2021
Discount rate	0.4-6.9%	0.3-6.8%
Expected rate of return on plan assets	1.0-5.0%	1.0-5.0%

b) Defined contribution plans

Required contributions for defined contribution plans for the years ended March 31, 2022 and 2021 were ¥500 million (\$4,098 thousand) and ¥522 million, respectively.

c) The multi-employer plan which contributions necessary is treated as net periodic pension costs is as follows:

(1) The funded status of the multi-employer plan as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022



Plan assets	¥ 85,944	¥ 74,174	\$ 704,459
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	90,345	91,645	740,533
Net balance	<u>¥ (4,401)</u>	<u>¥ (17,471)</u>	<u>\$ (36,074)</u>

(2) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2022 and 2021, was as follows:

	<u>2022</u>	<u>2021</u>
The contribution ratio of the Group in the multi-employer plan	0.7%	0.7%

(3) Supplementary explanation

The above net balance resulted mainly from past service cost under the plan in pension actuarial valuation and special reserve.

The ratios above do not represent the actual actuarial liability ratio of the Group.

## 12. Shareholders' Equity

### a) Overview

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

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 (i) having a Board of Directors, (ii) having independent auditors, (iii) having an Audit & Supervisory Board, and (iv) 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.

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.

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.

### b) Dividends

Dividends whose record date is attributable to the year ended March 31, 2021 but to be effective in the following year.

(1) Dividend payment

Approvals by shareholders' meeting held on June 24, 2021 are as follows:

Type of shares	Common stock
Total amount of dividends	¥4,237 million
Funds for dividends	Retained earnings
Dividends per share	¥60.00
Record date	March 31, 2021
Effective date	June 25, 2021

Note: Total amount of dividend payments include dividends of ¥5 million paid for the Company's shares held in BBT.

(2) Dividends whose record date is attributable to the year ended March 31, 2022 but to be effective in the following year.

Approvals by shareholders' meeting held on June 23, 2022 are as follows:

Type of shares	Common stock
Total amount of dividends	¥4,237 million (\$ 34,730 thousand)
Funds for dividends	Retained earnings
Dividends per share	¥60.00 (\$0.49)
Record date	March 31, 2022
Effective date	June 24, 2022

Note: Total amount of dividend payments include dividends of ¥12 million (\$98 thousand) paid for the Company's shares held in BBT.

### 13. Contingent Liabilities

(1) Contingent liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of
	2022	2021	U.S. dollars
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates)	¥ 5,977	¥ 5,332	\$ 48,992
Repurchase obligation of the securitization of receivables	4,729	4,863	38,762
Total	<u>¥ 10,706</u>	<u>¥ 10,195</u>	<u>\$ 87,754</u>

(2) Other

The Company and its related companies are now negotiating compensations for damage with a part of automobile manufacturers in connection with the violation of the Competition Act by automobile wire harness cartels.

### 14. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Freightage and packing expenses	¥ 21,050	¥ 18,113	\$ 172,541
Sales commissions	1,582	1,965	12,967
Salaries and wages	46,433	43,597	380,598
Retirement benefit expenses	1,829	1,950	14,992
Depreciation	3,771	4,300	30,910
Research and development costs	17,213	16,338	141,090
Other	34,618	34,618	283,754
Total	¥ 127,263	¥ 120,881	\$ 1,043,139

Research and development costs charged to “Selling, general and administrative expenses” and manufacturing costs for the years ended March 31, 2022 and 2021 amounted to ¥20,761 million (\$170,172 thousand) and ¥20,217 million, respectively.

## 15. Leases

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

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥ 2,322	¥ 749	\$ 19,033
Due after one year	10,985	2,063	90,041
Total	¥ 13,308	¥ 2,812	\$ 109,082

## 16. Impairment Loss

(For the year ended March 31, 2022)

The Group has recognized impairment loss of the following asset groups in this fiscal year. The Group classifies fixed assets into groups by company, business or business unit, each of which is deemed to generate independent cash flows, and idle properties into individual independent groups.

Impairment loss by type of assets for the year ended March 31, 2022 consisted of the following:

Location	Usage	Type of asset	Millions of Yen	Thousands of U.S. dollars
Voronezh, Russia	Fixed assets for business use in the “Infrastructure” segment	Buildings	¥ 417	\$ 3,418
		Machinery and equipment	189	1,549
		Others	66	541
		Total	673	5,516

Haryana, India	Fixed assets for other use in the “Electronics & Automotive Systems” and other segments	Goodwill	471	3,861
Jiangsu Province, China	Fixed assets for business use in the “Infrastructure” segment	Buildings	204	1,672
Other	Fixed assets for business use in the “Infrastructure” segment	Buildings, Machinery and equipment, and others	¥ 139	\$ 1,139

#### **Voronezh, Russia**

The carrying amount of the asset was reduced to its recoverable amount due to a significant deterioration in the business environment, resulting in a decline in profitability and uncertainty about the prospects for future recovery.

#### **Haryana, India**

The unamortized balance of goodwill incurred at the time of acquisition of the subsidiary was recorded as an impairment loss due to the decline in collectability to generate the anticipated earnings.

#### **Jiangsu Province, China**

Its recoverable amounts were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amounts not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts.

The recoverable amounts of the asset groups were mainly evaluated based on the appraisal value.

(For the year ended March 31, 2021)

The Group has recognized impairment loss of the following asset groups in this fiscal year. The Group classifies property, plant and equipment into groups by company, business or business unit, each of which is deemed to generate independent cash flows, and idle properties into individual independent groups.

Impairment loss by type of assets for the year ended March 31, 2021 consisted of the following:

Location	Usage	Type of asset	Millions of Yen
Nikko-city, Tochigi prefecture	Fixed assets for business use in the “Functional products” segment	Buildings	¥ 24
		Machinery and equipment	644
		Land	248
		Others	71
		Total	988

Jiangsu Province, China	Fixed assets for business use in the “Infrastructure” segment	Buildings	488
		Machinery and equipment	152
		Others	28
		Total	668
Hiratsuka-city, Kanagawa prefecture	Fixed assets for business use in the “Infrastructure” segment	Buildings	60
		Machinery and equipment	288
		Others	70
		Total	417
Other	Fixed assets for business use in the “Electronics & Automotive Systems” and other segments	Buildings, Machinery and equipment, and others	¥ 467

It has been decided that recoverable amounts of fixed assets for business use in Tochigi prefecture, Jiangsu Province, and Kanagawa prefecture, were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts.

The recoverable amounts of the asset groups were mainly evaluated based on the appraisal value.

## 17. Other income (expenses):

### a) Gain on disposal of property, plant and equipment

(For the year ended March 31, 2022)

Gain on disposal of property, plant and equipment resulted primarily from the sale of dormitories and company owned houses at the Company.

(For the year ended March 31, 2021)

The Company transferred the business related to the development, manufacture and sales of copper tubes, copper tube components and copper plates, and all of the outstanding shares issued by Okumura Metals Co., Ltd. (hereinafter “Okumura Metals”), the wholly-owned subsidiary of the Company to Daishin P&T Co., Ltd. established by the Company through an absorption-type company split on April 1, 2020, and transferred all of the outstanding shares issued by Daishin P&T Co., Ltd. and the Company’s equity share in the consolidated subsidiary Furukawa Metal (Thailand) Public Co., Ltd. to CTJ Holdings 2 LLC, which is SPC and indirectly capitalized by Japan Industry No. 5 Investment Limited Partnership managed by Japan Industrial Partners, Inc. on June 1, 2020.

The Company recognized “Gain on disposal of property, plant and equipment” by the asset transfer which is subject to the execution condition of the business transfer.

The land has been leased back from the third party for up to 3 years and 9 months after the sale and has been subleased to CTJ Holdings 2 LLC.

Address: 7-6 and other, Doicho, Amagasaki City, Hyogo Prefecture
Registration area: 162,739.87 square meter
Applications: Factory
Gain on disposal of property, plant and equipment: ¥22,078 million
The effective date of the transfer: June 30, 2020

Note: The transfer price and book value will not be disclosed due to the intention of the transferee.

b) Loss on disposal of property, plant and equipment

(For the year ended March 31, 2022)

Loss on disposal of property, plant and equipment consisted of machinery and equipment, and vehicles of ¥322 million (\$2,639 thousand), and building of ¥103 million (\$844 thousand).

(For the year ended March 31, 2021)

Loss on disposal of property, plant and equipment consisted of land of ¥452 million and machinery and equipment, and vehicles of ¥234 million

c) Insurance Income

Insurance income in the previous fiscal year and this fiscal year is mainly the insurance income for the fire accident in its consolidated subsidiary, Furukawa Circuit Foil Taiwan Corporation on June 18, 2019.

d) Reimbursement of social contributions for the past year

Furukawa Electric LatAm S.A., a consolidated subsidiary in Brazil, was in dispute for a refund of social contributions owed by a company in Brazil. As a result of a court ruling on the tax base amount, a refund of the overpaid social contributions and the amount equivalent to the interest was recorded as income in this fiscal year.

e) Restructuring costs

Restructuring costs are mainly special severance payments and other payments associated with personnel rationalization implemented at overseas consolidated subsidiaries as part of business restructuring mainly in the Information Technology & Telecommunication Solutions business and loss on write-down of inventories due to withdrawal from some of the Company's businesses

f) Loss on transfer of business

The loss in the previous year resulted from the transfer of all of the outstanding shares of the wholly owned subsidiary, Daishin P&T Co., Ltd., and all of the direct equity interest in Furukawa Metal (Thailand) Public. Co., Ltd., our consolidated subsidiary, on June 1, 2020.

The loss for this year were recorded based on the final transfer price determined.

g) Loss on Covid-19

Some fixed costs incurred in the previous fiscal year and this fiscal year, at the Group's overseas consolidated subsidiaries for the period when some production plants were shut

down based on direct orders from the governments of various countries to prevent the spread of the new coronavirus were recorded.

## 18. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax and enterprise tax, which in the aggregate would result in a statutory income tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

Summarized below is a reconciliation of the statutory income tax rate and the effective income tax rate for the years ended March 31, 2022 and 2021:

	2022	2021
Japanese statutory income tax rate	30.6%	30.6%
Entertainment expense and other	2.5	3.6
Equity in income (loss) of non-consolidated subsidiaries and affiliates	(15.8)	1.0
Research and development cost	(0.6)	(2.8)
Valuation allowance	9.4	10.0
Difference of applicable tax rate of overseas consolidated subsidiaries	(6.1)	(3.3)
Amortization of goodwill	0.7	0.8
Undistributed earnings of subsidiaries and affiliates	8.4	2.6
Unrecognized tax effects related to unrealized gain (loss)	1.9	(0.1)
Expiration of net operating loss carryforwards	3.5	0.2
Other, net	0.6	0.4
Effective income tax rate	<u>35.2%</u>	<u>43.2%</u>

Note: To reflect the change in the quantitative materiality, "Unrecognized tax effects related to unrealized gain (loss)" and "Expiration of net operating loss carryforwards" are presented independently as these were included in "Other, net" in the previous consolidated fiscal year.

Certain reclassifications have been made in the 2021 financial statements to conform to the classifications used in 2022.

Deferred tax assets (liabilities) as of March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Liability for retirement benefits	¥ 15,719	¥ 15,798	\$ 128,844
Provision for environmental costs	2,926	3,132	23,984
Loss carryforwards	47,012	45,372	385,344
Accrued bonus	3,173	3,091	26,008
Depreciation	2,956	1,226	24,230
Provision for product defect compensation	888	1,095	7,279

Impairment loss	8,010	7,368	65,656
Loss on write-down of inventories	1,103	1,320	9,041
Unrealized loss on available-for-sale securities	1,223	1,469	10,025
Other	13,154	12,447	107,820
Gross deferred tax assets	96,170	92,325	788,279
Less valuation allowance for loss carryforwards	(41,319)	(40,807)	(338,680)
Less valuation allowance for total of future deductible temporary differences, etc.	(26,117)	(23,630)	(214,074)
Valuation allowance	(67,436)	(64,438)	(552,754)
Total deferred tax assets	28,734	27,887	235,525
Unrealized gain on available-for-sale securities	(5,464)	(6,305)	(44,787)
Undistributed earnings of subsidiaries and affiliates	(10,776)	(9,218)	(88,328)
Revaluation difference on land	(708)	(708)	(5,803)
Deferred gain on derivatives under hedge accounting	(1,413)	(1,447)	(11,582)
Other	(5,034)	(4,646)	(41,262)
Total deferred tax liabilities	(23,397)	(22,326)	(191,779)
Net deferred tax assets	¥5,336	¥5,560	\$ 43,738

(For the year ended March 31, 2022)

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

March 31, 2022	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to loss carryforwards (*1)	¥ 1,576	¥ 5,837	¥ 5,890	¥ 5,305	¥ 633	¥ 27,768	¥ 47,012
Less valuation allowances for loss carryforwards	(874)	(3,997)	(5,011)	(3,986)	(377)	(27,074)	(41,319)
Net deferred tax assets relating to loss carryforwards (*2)	¥ 702	¥ 1,839	¥ 879	¥ 1,319	¥ 256	¥ 694	¥ 5,693

March 31, 2022	Thousands of U.S. dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to loss carryforwards (*1)	\$ 1,576	\$ 5,837	\$ 5,890	\$ 5,305	\$ 633	\$ 27,768	\$ 47,012
Less valuation allowances for loss carryforwards	(874)	(3,997)	(5,011)	(3,986)	(377)	(27,074)	(41,319)
Net deferred tax assets relating to loss carryforwards (*2)	\$ 702	\$ 1,839	\$ 879	\$ 1,319	\$ 256	\$ 694	\$ 5,693



Deferred tax assets relating to loss carryforwards (*1)	\$ 12,918	\$ 47,844	\$ 48,279	\$ 43,484	\$ 5,189	\$ 227,607	\$ 385,344
Less valuation allowances for loss carryforwards	(7,164)	(32,762)	(41,074)	(32,672)	(3,090)	(221,918)	(338,680)
Net deferred tax assets relating to loss carryforwards (*2)	<u>\$ 5,754</u>	<u>\$ 15,074</u>	<u>\$ 7,205</u>	<u>\$ 10,811</u>	<u>\$ 2,098</u>	<u>\$ 5,689</u>	<u>\$ 46,664</u>

Note(\*1): Deferred tax assets relating to loss carryforwards are calculated using the effective income tax rate.

Note(\*2): In terms of deferred tax assets relating to loss carryforwards of ¥47,012 million (\$385,344 thousand), net deferred tax assets relating to loss carryforwards of ¥5,693 million (\$46,664 thousand) were recognized. No valuation allowance was recognized on a recoverable part of it, based on the estimated future taxable income. The estimates and assumptions used in determining future taxable income is consistent with those described in 3. Significant Accounting Estimates.

(For the year ended March 31, 2021)

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

March 31, 2021	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to loss carryforwards (*1)	¥ 1,662	¥ 989	¥ 6,866	¥ 6,442	¥ 4,816	¥ 24,595	¥ 45,372
Less valuation allowances for loss carryforwards	(1,224)	(823)	(5,716)	(5,385)	(3,647)	(24,009)	(40,807)
Net deferred tax assets relating to loss carryforwards (*2)	<u>¥ 438</u>	<u>¥ 165</u>	<u>¥ 1,149</u>	<u>¥ 1,056</u>	<u>¥ 1,168</u>	<u>¥ 585</u>	<u>¥ 4,564</u>

Note (\*1): Deferred tax assets relating to loss carryforwards are calculated using the effective income tax rate.

Note (\*2): In terms of deferred tax assets relating to loss carryforwards of ¥45,372 million, net deferred tax assets relating to loss carryforwards of ¥4,564 million were recognized. No valuation allowance was recognized on a recoverable part of it, based on the estimated future taxable income.

## 19. Revenue

### a) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2022, were as follows:

	Millions of Yen								
	Infrastructure			Electronics & Automotive Systems			Functional products	Service and Development, etc.	Total
	Communications Solutions	Energy infrastructure	Subtotal	Automotive Products & Batteries	Electronics Component Materials	Subtotal			
Revenues from contracts with customers	¥189,062	¥104,666	¥293,729	¥254,422	¥234,018	¥488,441	¥123,697	¥23,905	¥929,773
Other revenue(*)	44	-	44	408	-	408	17	252	722
Total	¥189,106	¥104,666	¥293,773	¥254,831	¥234,018	¥488,849	¥123,715	¥24,157	¥930,496

	Thousands of U.S. dollars								
	Infrastructure			Electronics & Automotive Systems			Functional products	Service and Development, etc.	Total
	Communications Solutions	Energy infrastructure	Subtotal	Automotive Products & Batteries	Electronics Component Materials	Subtotal			
Revenues from contracts with customers	\$1,549,689	\$857,918	\$2,407,615	\$2,085,426	\$1,918,180	\$4,003,615	\$1,013,910	\$195,943	\$7,621,090
Other revenue(*)	361	-	361	3,344	-	3,344	139	2,066	5,918
Total	\$1,550,049	\$857,918	\$2,407,975	\$2,088,779	\$1,918,180	\$4,006,959	\$1,014,057	\$198,008	\$7,627,016

Note(\*): Rent income of real estate

## b) Basic Information to Understand Revenues from Contracts with Customers

Notes are omitted because the same information is presented in “2.Significant Accounting Policies j) Revenue recognition” above.

## c) Contract Balances

Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in subsequent periods from contracts with customers that existed at the end of this fiscal year are follows.

(1) Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year

(For the year ended March 31, 2022)

	Millions of Yen	Thousands of U.S. dollars
	2022	2022
Receivables from contract with customers at the beginning of the year	¥ 187,580	\$ 1,537,541
Receivables from contract with customers at the end of the year	223,520	1,832,131
Contract assets at the beginning of the year	4,759	39,008
Contract assets at the end of the year	6,797	55,713
Contract liabilities at the beginning of the year	2,290	18,770
Contract liabilities at the end of the year	¥ 2,807	\$ 23,008

“Contract assets“ is a right to the consideration in exchange for performance obligations satisfied, which are calculated by degree of progress, as of the end of the reporting period in connection mainly with construction contracts, excluding receivables. “Contract assets“ is reclassified to receivables at the time when the right to considerations of the Company and its consolidated subsidiaries become unconditional only with the passage of time.

“Contract liabilities“ is the portion of a liability for which consideration has been received from customers but performance obligations have not been satisfied. It increases when consideration is received from customer before transferring goods or services to customer under contracts with customer, such as construction contracts, and decreases when the performance obligations are satisfied.

The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was ¥2,105 million (\$17,254 thousand).

The main reason for the increase in contract assets in the current fiscal year was due to the recognition of revenue under construction contracts.

There were no material changes in contractual liabilities during the current fiscal year.

The amount of revenue recognized in the current fiscal year resulting from performance obligations satisfied in prior periods was ¥612 million (\$5,016 thousand).

(2) Transaction amount allocated to remaining performance obligations

The total transaction amount allocated to performance obligations that have not been satisfied as of the end of this fiscal year was ¥38,402 million (\$314,770 thousand), which is expected to be recognized as revenue generally within 11 years.

The contracts that have original expected duration of one year or less are not included in the scope of the note, applying the simplified method.

## 20. Other Comprehensive Income (Loss)

(For the year ended March 31, 2022)

(1) The following table presents components of recycled amounts of other comprehensive income (loss) for the year ended March 31, 2022:

	Millions of Yen	
Unrealized gain (loss) on available-for-sale securities		
Amount arising during the year	¥ (942)	
Reclassification adjustments for gains and losses included in profit	(1,739)	(2,682)
Deferred gain (loss) on derivatives under hedge accounting		
Amount arising during the year	6,015	
Reclassification adjustments for gains and losses included in profit	(11)	

Adjustments for amounts transferred to assets' acquisition costs	(6,285)	(281)
Foreign currency translation adjustments		
Amount arising during the year	10,876	
Reclassification adjustments for gains and losses included in profit	-	10,876
Adjustments for retirement benefits		
Amount arising during the year	231	
Reclassification adjustments for gains and losses included in profit	457	689
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	5,196	
Reclassification adjustments for gains and losses included in profit	(131)	5,065
Subtotal before tax effects		13,667
Tax effects		854
Total		¥ 14,521

Thousands of U.S. dollars

Unrealized gain (loss) on available-for-sale securities		
Amount arising during the year	\$ (7,721)	
Reclassification adjustments for gains and losses included in profit	(14,254)	\$ (21,984)
Deferred gain (loss) on derivatives under hedge accounting		
Amount arising during the year	49,303	
Reclassification adjustments for gains and losses included in profit	(90)	
Adjustments for amounts transferred to assets' acquisition costs	(51,516)	(2,303)
Foreign currency translation adjustments		
Amount arising during the year	89,148	
Reclassification adjustments for gains and losses included in profit	-	89,148
Adjustments for retirement benefits		
Amount arising during the year	1,893	
Reclassification adjustments for gains and losses included in profit	3,746	5,648
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	42,590	
Reclassification adjustments for gains and losses included in profit	(1,074)	41,516
Subtotal before tax effects		112,025
Tax effects		7,000
Total		\$ 119,025

(2) Deferred tax of other comprehensive income (loss) for the year ended March 31, 2022:

	Millions of Yen		
	Before-tax amounts	Tax (expense) Benefits	Net-of-tax amounts
Unrealized gain (loss) on available-for-sale securities	¥ (2,682)	¥ 828	¥ (1,853)
Deferred gain (loss) on derivatives under hedge accounting	(281)	75	(205)
Adjustments for retirement benefits	10,876	-	10,876
Foreign currency translation adjustments	689	(50)	638
Share of other comprehensive income of affiliates accounted for by the equity method	5,065	-	5,065
Total	¥ 13,667	¥ 854	¥ 14,521

	Thousands of U.S. dollars		
	Before-tax amounts	Tax benefits (expense)	Net-of-tax amounts
Unrealized gain (loss) on available-for-sale securities	\$ (21,984)	\$ 6,787	\$ (15,189)
Deferred gain (loss) on derivatives under hedge accounting	(2,303)	615	(1,680)
Adjustments for retirement benefits	89,148	-	89,148
Foreign currency translation adjustments	5,648	(410)	5,230
Share of other comprehensive income of affiliates accounted for by the equity method	41,516	-	41,516
Total	\$ 112,025	\$ 7,000	\$ 119,025

(For the year ended March 31, 2021)

(1) The following table presents components of recycled amounts of other comprehensive income (loss) for the year ended March 31, 2021:

	Millions of Yen	
Unrealized gain (loss) on available-for-sale securities		
Amount arising during the year	¥ 12,488	
Reclassification adjustments for gains and losses included in profit	(8,417)	4,070
Deferred gain (loss) on derivatives under hedge accounting		
Amount arising during the year	8,243	
Reclassification adjustments for gains and losses included in profit	(66)	
Adjustments for amounts transferred to assets' acquisition costs	(2,072)	6,103
Foreign currency translation adjustments		
Amount arising during the year	(1,885)	
Reclassification adjustments for gains and losses included in profit	2,130	244

Adjustments for retirement benefits		
Amount arising during the year	9,033	
Reclassification adjustments for gains and losses included in profit	1,539	10,573
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	249	
Reclassification adjustments for gains and losses included in profit	45	294
Subtotal before tax effects		21,287
Tax effects		(5,442)
Total		<u>¥ 15,844</u>

(2) Deferred tax of other comprehensive income (loss) for the year ended March 31, 2021:

	Millions of Yen		
	Before-tax amounts	Tax (expense) Benefits	Net-of-tax amounts
Unrealized gain (loss) on available-for-sale securities	¥ 4,070	¥ (1,125)	¥ 2,945
Deferred gain (loss) on derivatives under hedge accounting	6,103	(1,868)	4,235
Adjustments for retirement benefits	244	-	244
Foreign currency translation adjustments	10,573	(2,448)	8,124
Share of other comprehensive income of affiliates accounted for by the equity method	294	-	294
Total	¥ 21,287	¥ (5,442)	¥ 15,844

## 21. Amount Per Share

	Yen		U.S. dollars
	2022	2021	2022
Profit attributable to owners of parent per share:			
Basic	¥ 143.40	¥ 141.88	\$ 1.18
Diluted	¥ -	¥ -	\$ -
	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	<u>¥ 3,967.08</u>	<u>¥ 3,686.36</u>	<u>\$ 32.52</u>

Basic profit attributable to owners of parent per common stock (the “Basic profit per share”) is calculated by dividing profit attributable to owners of parent by the weighted average number of shares of common stock outstanding during the respective years (the “Weighted average number of shares”), adjusted for treasury stock held.

Diluted profit attributable to owners of parent per common stock has not been presented for the years ended March 31, 2022 and 2021, since the Company has issued no dilutive potential shares.

Net assets per share are computed based on the net assets excluding non-controlling interests, and the number of shares of common stock outstanding at the year end.

The Company's shares held in Board Benefit Trust (See in Note 2s), which are treated as treasury stock, are deducted from the number of shares at the end of the fiscal year, used in the calculation of the net asset per share, and also deducted from the weighted average number of shares used in the calculation of basic profit per share.

The number of shares of the above treasury stock deducted as of March 31, 2022 and 2021 are 215,500 and 104,900 shares, respectively. The weighted average number of shares of the above treasury stock deducted during the fiscal year ended March 31, 2022 and 2021 are 208,383 and 107,050 shares, respectively.

The bases for "Amount Per Share" calculation are as follows:

(1) Basic profit attributable to owners of parent per share

	Thousands of shares	
	2022	2021
Weighted average number of shares of common stock during the fiscal year	70,391	70,493

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Profit attributable to owners of parent	¥ 10,093	¥ 10,001	\$ 82,730
Profit not attributable to owners of parent	-	-	-
Profit attributable to owners of parent related to common stock	¥ 10,093	¥ 10,001	\$ 82,730

(2) Net assets per share

	Thousands of shares	
	2022	2021
Number of shares of common stock at the end of the fiscal year	70,495	70,384

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Total net assets	¥ 314,062	¥ 291,617	\$ 2,574,279
Amounts deducted from total net assets:			
Non-controlling interests	(34,843)	(31,747)	(285,598)
Net assets attributable to shares of common stock	¥ 279,219	¥ 259,870	\$ 2,288,680

## 22. Financial Instruments and Related Disclosures

### a) Conditions of Financial instruments

#### (1) Policy for financial instruments

The fund management policy of the Group (the Company and its consolidated subsidiaries) has been set up to put its operating funds in deposits or investments that are assured of no impairment in the principal and the necessary fund is obtained through borrowings from banks and other financial institutions and bond issuances.

Derivative transactions are not entered into for speculative purposes.

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

Trade notes and accounts receivable arising from operation are exposed to credit risk of customers. The Group carries out the practice of keeping track of due dates and outstanding balances of each customer under the credit management rules, as well as monitoring major customers' credit status on a regular basis in order to minimize credit risk.

Marketable securities and investment securities are mainly equity securities and exposed to the risk of changes in market value. These securities are primarily the shares of companies with which the Group has business relationship, and the fair value of these securities are evaluated on a regular basis.

Trade notes and accounts payable arising from operations normally have payment terms of less than one year.

Short-term and long-term debt are mainly utilized for working capital and capital investments. The interest rate risk of a certain portion of those loans payable is hedged using interest rate swaps as hedging instruments.

On derivative transactions, foreign exchange forward contracts are used for hedge of foreign currency risk associated with receivables and payables arising from operations and denominated in foreign currency, interest rate swaps are used for hedge of interest rate risk associated with loans payable, metal forward contracts are used for hedge of price risk of raw materials and work in process. Execution and management of derivative transactions are subject to related internal rules.

In relation to accounting for hedge transactions, hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are set out in the Company's internal rules.

Although trade payable and short-term and long-term debt are exposed to liquidity risk, these payables are managed by such means as cash flow projections prepared in a timely manner.

#### (3) Supplementary information on the fair value of financial instruments

The estimated fair values of financial instruments would not be fixed due to variety of factors and assumptions. In addition, the contractual amounts of the derivative transactions set out in "b) Fair value of financial instruments" as below are not an indicator of the market risk associated with derivative transactions.

### b) Fair value of financial instruments



(As of March 31, 2022)

	Millions of Yen		
	Carrying amount	Fair value	Difference
Marketable securities and investments securities			
- Held-to-maturity debt securities	¥ 3,257	¥ 3,257	¥ -
- Available-for-sale securities	27,115	27,115	-
- Unconsolidated subsidiaries and affiliated companies	74,680	65,118	(9,561)
Total of assets	105,054	95,492	(9,561)
Bonds (including current portion)	(40,000)	(39,641)	358
Long-term debt	(133,120)	(132,332)	787
Total of liabilities	(173,120)	(171,974)	1,145
Derivative transactions			
- Derivative transactions for which hedge accounting does not apply	(1,091)	(1,091)	-
- Derivative transactions for which hedge accounting apply	4,198	4,198	-
Total of derivative transactions	¥ 3,106	¥ 3,106	¥ -

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Marketable securities and investments securities			
- Held-to-maturity debt securities	\$ 26,697	\$ 26,697	\$ -
- Available-for-sale securities	222,254	222,254	-
- Unconsolidated subsidiaries and affiliated companies	612,131	533,754	(78,369)
Total of assets	861,098	782,721	(78,369)
Bonds (including current portion)	(327,869)	(324,926)	2,934
Long-term debt	(1,091,148)	(1,084,689)	6,451
Total of liabilities	(1,419,016)	(1,409,623)	9,385
Derivative transactions			
- Derivative transactions for which hedge accounting does not apply	(8,943)	(8,943)	-
- Derivative transactions for which hedge accounting apply	34,410	34,410	-
Total of derivative transactions	\$ 25,459	\$ 25,459	\$ -

(As of March 31, 2021)

	Millions of Yen		
	Carrying amount	Fair value	Difference
Marketable securities and investments			

securities			
- Held-to-maturity debt securities	¥ 2,923	¥ 2,923	¥ -
- Available-for-sale securities	29,923	29,923	-
- Unconsolidated subsidiaries and affiliated companies	60,072	54,736	(5,336)
Total of assets	92,920	87,583	(5,336)
Bonds (including current portion)	(30,000)	(29,772)	228
Long-term debt	(127,094)	(127,044)	50
Total of liabilities	(157,094)	(156,816)	278
Derivative transactions			
- Derivative transactions for which hedge accounting does not apply	(647)	(647)	-
- Derivative transactions for which hedge accounting apply	4,461	4,461	-
Total of derivative transactions	¥ 3,814	¥ 3,814	¥ -

Note: Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen		Thousands of U.S. dollars
	2022	2021	2022
Unlisted investment securities	¥ 14,971	¥ 11,712	\$ 122,713
Investments in capital	¥ 6,082	¥ 8,965	\$ 49,852

Maturity analysis for financial assets and securities with contractual maturities

(As of March 31, 2022)

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 62,160	¥ -	¥ -	¥ -
Trade receivable	223,535	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	3,257	-	-	-
2) Other debt securities	-	-	-	-
Total	¥ 288,953	¥ -	¥ -	¥ -

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	\$ 509,508	\$ -	\$ -	\$ -

Trade receivable	1,832,254	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	26,697	-	-	-
2) Other debt securities	-	-	-	-
Total	\$ 2,368,467	\$ -	\$ -	\$ -

(As of March 31, 2021)

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 82,734	¥ -	¥ -	¥ -
Trade receivable	191,930	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	2,923	-	-	-
2) Other debt securities	-	-	-	-
Total	¥ 277,589	¥ -	¥ -	¥ -

The redemption schedule for long-term debt and other interest-bearing debt with maturity date subsequent to the consolidated balance sheets date are described in “Note 10. Short-term Debt, Commercial paper, Bonds and Long-term Debt”.

c) 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.

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

(As of March 31, 2022)	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥ 27,115	¥ -	¥ -	¥ 27,115
Derivative transactions:				
Foreign currency forward contracts	-	1,554	-	1,554
Interest rate swaps	-	4,081	-	4,081
Total assets	<u>¥ 27,115</u>	<u>¥ 5,635</u>	<u>¥ -</u>	<u>¥ 32,751</u>
Derivative transactions:				
Foreign currency forward contracts	¥ -	¥ (1,762)	¥ -	¥ (1,762)
Interest rate swaps	-	(766)	-	(766)
Total liabilities	<u>¥ -</u>	<u>¥ (2,529)</u>	<u>¥ -</u>	<u>¥ (2,529)</u>

(As of March 31, 2022)	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	\$ 222,254	\$ -	\$ -	\$ 222,254
Derivative transactions:				
Foreign currency forward contracts	-	12,738	-	12,738
Interest rate swaps	-	33,451	-	33,451
Total assets	<u>\$ 222,254</u>	<u>\$ 46,189</u>	<u>\$ -</u>	<u>\$ 268,443</u>
Derivative transactions:				
Foreign currency forward contracts	\$ -	\$ (14,443)	\$ -	\$ (14,443)
Interest rate swaps	-	(6,279)	-	(6,279)
Total liabilities	<u>\$ -</u>	<u>\$ (20,730)</u>	<u>\$ -</u>	<u>\$ (20,730)</u>

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

(As of March 31, 2022)	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Government and municipal bonds	¥ -	¥ 3,257	¥ -	¥ 3,257
Shares of unconsolidated subsidiaries and affiliates	65,118	-	-	65,118
Total assets	<u>¥ 65,118</u>	<u>¥ 3,257</u>	<u>¥ -</u>	<u>¥ 68,376</u>
Unsecured bonds	¥ -	¥ (39,641)	¥ -	¥ (39,641)
Long-term debt	-	(132,332)	-	(132,332)
Total liabilities	<u>¥ -</u>	<u>¥ (171,974)</u>	<u>¥ -</u>	<u>¥ (171,974)</u>

(As of March 31, 2022)	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Government and municipal bonds	\$ -	\$ 26,697	\$ -	\$ 26,697
Shares of unconsolidated subsidiaries and affiliates	533,754	-	-	533,754
Total assets	<u>\$ 533,754</u>	<u>\$ 26,697</u>	<u>\$ -</u>	<u>\$ 560,459</u>
Unsecured bonds	\$ -	\$ (324,926)	\$ -	\$ (324,926)
Long-term debt	<u>-</u>	<u>(1,084,689)</u>	<u>-</u>	<u>(1,084,689)</u>
Total liabilities	<u>\$ -</u>	<u>\$ (1,409,623)</u>	<u>\$ -</u>	<u>\$ (1,409,623)</u>

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**

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the quoted market prices of municipal bonds and corporate bonds are not considered to be in active markets due to low market transactions, the fair values of municipal bonds and corporate bonds are measured by using discounted present value techniques considering observable inputs such as interest rates, and categorized as Level 2.

#### **Derivatives**

The fair values of interest rate swaps, foreign currency forward contracts and foreign currency swaps and commodity forward contracts are measured by using prices quoted by counterparty financial institutions and brokers, and are categorized as Level 2.

#### **Unsecured bonds**

Bonds issued by the Company are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

#### **Long-Term Debt**

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

## 23. Additional Information on Derivatives

a) Derivative transactions for which hedge accounting does not apply

(1) Foreign currency related transactions

(As of March 31, 2022)	Millions of Yen			
	2022			
	Notional Amount	Portion over 1 year	Fair value (Note1)	Unrealized gain (loss)
Foreign currency forward contracts:				
Sell:				
U.S.\$	8,104	¥ -	¥ (615)	¥ (615)
Yen	1,455	-	16	16
Euro	3,837	-	(206)	(206)
Taiwan Dollar	4,735	-	(39)	(39)
Indonesian Rupiah	2,853	-	(32)	(32)
Chinese Yuan (Note2)	1,298	-	(20)	(20)
Other	1,708	-	(136)	(136)
Buy				
U.S.\$	2,907	-	223	223
Taiwan Dollar	-	-	-	-
Other	326	-	3	3
Currency Swaps				
Receiving Yen, paying Philippine peso	747	-	(86)	(86)
Total	¥ 27,974	¥ -	¥ (892)	¥ (892)

(As of March 31, 2022)	Thousands of U.S. dollars			
	2022			
	Notional Amount	Portion over 1 year	Fair value (Note1)	Unrealized gain (loss)
Foreign currency forward contracts:				
Sell:				
U.S.\$	\$ 66,426	\$ -	\$ (5,041)	\$ (5,041)
Yen	11,926	-	131	131
Euro	31,451	-	(1,689)	(1,689)
Taiwan Dollar	38,811	-	(320)	(320)
Indonesian Rupiah	23,385	-	(262)	(262)
Chinese Yuan (Note2)	10,639	-	(164)	(164)
Other	14,000	-	(1,115)	(1,115)
Buy				
U.S.\$	23,828	-	1,828	1,828
Taiwan Dollar	-	-	-	-
Other	2,672	-	25	25
Currency Swaps				
Receiving Yen, paying Philippine peso	6,123	-	(705)	(705)
Total	\$ 229,295	\$ -	\$ (7,311)	\$ (7,311)

(As of March 31, 2021)	Millions of Yen			
	2021			
	Notional Amount	Portion over 1 year	Fair value (Note1)	Unrealized gain (loss)
Foreign currency forward contracts:				
Sell:				
U.S.\$	¥ 8,670	¥ -	¥ (443)	¥ (443)
Yen	1,271	-	15	15
Euro	3,238	-	(134)	(134)
Taiwan Dollar	6,819	-	(33)	(33)
Indonesian Rupiah	2,013	-	19	19
Chinese Yuan (Note2)	1,202	-	(7)	(7)
Other	1,171	-	(35)	(35)
Buy:				
U.S.\$	2,516	-	118	118
Taiwan Dollar	2,749	-	(29)	(29)
Other	539	-	(1)	(1)
Currency Swaps:				
Receiving Yen, paying Philippine peso	747	747	(83)	(83)
Total	¥ 30,939	¥ 747	¥ (616)	¥ (616)

Note1: Fair value is determined by prices obtained from foreign exchange market.

Note2: To reflect the change in the quantitative materiality, "Chinese Yuan" is presented independently in "Sell" as this was included in "Other" of "Sell" in the previous consolidated fiscal year.

## (2) Commodity related transactions

(As of March 31, 2022)

	Millions of Yen			
	2022			
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)
Market transaction:				
Forward contracts:				
Sell	¥ 10,497	¥ -	¥ (309)	¥ (309)
Buy	4,722	-	109	109
Total	¥ 15,219	¥ -	¥ (199)	¥ (199)
	Thousands of U.S. dollars			
	2022			
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)
Market transaction:				

Forward contracts:

Sell	\$ 86,041	\$ -	\$ (2,533)	\$ (2,533)
Buy	38,705	-	893	893
Total	<u>\$ 124,746</u>	<u>\$ -</u>	<u>\$ (1,631)</u>	<u>\$ (1,631)</u>

(As of March 31, 2021)

Millions of Yen			
2021			
Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)

Market transaction:

Forward contracts:

Sell	¥ 7,807	¥ -	¥ (44)	¥ (44)
Buy	4,080	-	13	13
Total	<u>¥ 11,888</u>	<u>¥ -</u>	<u>¥ (31)</u>	<u>¥ (31)</u>

Note(\*): Fair value is determined by prices obtained from commodity exchange market.

b) Derivative transactions for which hedge accounting apply

(1) Foreign currency related transactions

(As of March 31, 2022)

Hedged item		Millions of Yen		
		2022		
		Notional Amount	Portion over 1 year	Fair value (Note1)
Normal accounting method:				
Foreign currency forward contracts:				
Sell:				
U.S.\$	Trade Receivable (Forecast transactions)	¥ 14,507	¥ 1,718	¥ (599)
Euro	Trade Receivable (Forecast transactions)	267	2	(20)
Other	Trade Receivable (Forecast transactions)	819	-	(2)
Buy				
U.S.\$	Trade payable (Forecast transactions)	23,507	881	1,140
Euro	Trade payable (Forecast transactions)	172	-	23
Taiwan Dollar	Trade payable (Forecast transactions)	6,863	-	140
Other	Trade payable (Forecast transactions)	¥ 76	¥ -	¥ 2

Assignment accounting (special treatment for foreign exchange forward contracts)

Foreign currency forward contracts:

Sell:

U.S.\$	Trade Receivable	¥ 7,211	¥ -	¥ -
Other	Trade Receivable	362	-	-

Buy



U.S.\$	Trade payable	50	-	-
Currency Swaps Receiving U.S.\$, paying Yen	Long-term debt	-	-	-
Total		<u>¥ 53,839</u>	<u>¥ 2,601</u>	<u>¥ 684</u>

Thousands of U.S. dollars

2022

Hedged item		Notional Amount	Portion over 1 year	Fair value (Note1)
Normal accounting method:				
Foreign currency forward contracts:				
Sell:				
U.S.\$	Trade Receivable (Forecast transactions)	\$ 118,910	\$ 14,082	\$ (4,910)
Euro	Trade Receivable (Forecast transactions)	2,189	16	(164)
Other	Trade Receivable (Forecast transactions)	6,713	-	(16)
Buy				
U.S.\$	Trade payable (Forecast transactions)	192,680	7,221	9,344
Euro	Trade payable (Forecast transactions)	1,410	-	189
Taiwan Dollar	Trade payable (Forecast transactions)	56,254	-	1,148
Other	Trade payable (Forecast transactions)	\$ 623	\$ -	\$ 16

Assignment accounting (special treatment for foreign exchange forward contracts)

Foreign currency forward contracts:

Sell:

U.S.\$	Trade Receivable	\$ 59,107	\$ -	\$ -
Other	Trade Receivable	2,967	-	-

Buy

U.S.\$	Trade payable	410	-	-
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Currency Swaps  
Receiving U.S.\$,  
paying Yen

Total	Long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 441,303</u>	<u>\$ 21,320</u>	<u>\$ 5,607</u>

(As of March 31, 2021)

Millions of Yen

2021

Hedged item		Notional Amount	Portion over 1 year	Fair value (Note1)
Normal accounting method:				
Foreign currency forward contracts:				
Sell:				
U.S.\$	Trade Receivable (Forecast transactions)	¥ 10,113	¥ 649	¥ (351)
Euro	Trade Receivable (Forecast transactions)	660	266	(22)
Other	Trade Receivable (Forecast transactions)	71	-	(0)

Buy				
U.S.\$	Trade payable (Forecast transactions)	18,384	1,607	514
Euro	Trade payable (Forecast transactions)	931	-	77
Taiwan Dollar	Trade payable (Forecast transactions)	5,480	-	184
Other	Trade payable (Forecast transactions)	¥ 786	¥ -	¥ (4)

Assignment accounting (special treatment for foreign exchange forward contracts)  
Foreign currency forward contracts:

Sell:

U.S.\$	Trade Receivable	¥ 3,424	¥ -	¥ -
Other	Trade Receivable	59	-	-

Buy

U.S.\$	Trade payable	368	-	-
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Currency Swaps

Receiving U.S.\$, paying Yen	Long-term debt	3,000	-	-
Total		<u>¥ 43,282</u>	<u>¥ 2,523</u>	<u>¥ 397</u>

Note1: The fair value of foreign currency related transactions subject to Normal accounting method is calculated based on forward exchange rates.

Note2: The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) is accounted for together with the underlying trade receivable or trade payable subject to hedging.

## (2) Interest-rate related transactions

(As of March 31, 2022)

None

(As of March 31, 2021)

		Millions of Yen		
		2021		
Hedged item		Notional Amount	Portion over 1 year	Fair value (*)
Special treatment interest rate swap:				
Interest rate swaps				
Receiving floating rates and paying fixed rates	Long-term debt	¥ 10,500	¥ -	¥ -
Total		<u>¥ 10,500</u>	<u>¥ -</u>	<u>¥ -</u>

Note (\*) The fair value of interest rate swaps subject to special treatment embeds in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

## (3) Commodity related transactions

(As of March 31, 2022)

		Millions of Yen		
		2022		
Hedged item		Notional	Portion over 1	Fair value

		Amount	year	(*)
Normal accounting method:				
Forward contracts for metal materials:				
Sell	Raw materials and work in process	¥ 5,459	¥ -	¥ (316)
Buy	Raw materials and work in process	23,861	492	3,830
Total		¥ 29,320	¥ 492	¥ 3,514

Thousands of U.S. dollars

2022

		Notional Amount	Portion over 1 year	Fair value (*)
Normal accounting method:				
Forward contracts for metal materials:				
Sell	Raw materials and work in process	\$ 44,746	\$ -	\$ (2,590)
Buy	Raw materials and work in process	195,582	4,033	31,393
Total		\$ 240,328	\$ 4,033	\$ 28,803

(As of March 31, 2021)

Millions of Yen

2021

		Notional Amount	Portion over 1 year	Fair value (*)
Normal accounting method:				
Forward contracts for metal materials:				
Sell	Raw materials and work in process	¥ 3,855	¥ -	¥ (416)
Buy	Raw materials and work in process	15,805	179	4,481
Total		¥ 19,661	¥ 179	¥ 4,064

Note (\*): The fair value of forward contracts for metal materials is calculated based on forward price quote for metal materials.

## 24. Segment Information

### a) Outline of reportable segments

The reportable segments of the Company are components for which the financial information can be obtained separately from its other components, and the Board of Directors reviews such reportable segments on a regular basis in order to decide allocations of managerial resources and evaluate business performance.

The Group establishes divisions by type of product and service, and each division draws up their comprehensive strategy on the products sold and services performed in domestic and overseas market.

Products and services of main business on each segment are as follows;

#### (1) Infrastructure

Optical fiber, optical fiber cable, optical components, semiconductor optical devices, material communication cable, fusion splicer, industrial lasers, network equipment, CATV system, radio products, power transmission cable, power transmission cable accessories and insulations, industrial wire, electrical insulation tape, electronic material products, etc.

(2) Electronics & Automotive Systems

Automotive components (wire harness, steering roll connector, battery state sensor, perimeter monitoring radar, etc.), automatic batteries/batteries for industrial use, copper/aluminum wires, magnet wires, copper and copper alloy products, functional surface products (plating), processed products for electronic parts (leading frame, etc.), special metal materials (shape-memory/super-elastic alloys), etc.

(3) Functional Products

Cable conduits, water-feeding pipe materials, foaming products, UV tapes for semiconductor manufacturing, electronic components materials, heat-dissipation products, hard disc drive (HDD) aluminum blank material, electrodeposited copper foils, etc.

(4) Service and Development, etc.

Supporting service for each business of the Group such as hydraulic power generation, driving of R&D for new products, real-estate leasing and logistics.

b) Segment income(loss) is based on operating income. In addition, intersegment sales or transfers are based on market prices.

As described in “q)Accounting Changes in the section of 2.Significant Accounting Policies”, the Group changed its accounting method in accordance with the revenue recognition accounting standard and implementation guidance from the current fiscal year, and similarly changed the calculation method of profit or loss for the business segment.

The effects of this accounting change for this fiscal year, “Sales to external customers” decreased by ¥7,210 million (\$59,098 thousand) in Infrastructure, ¥38,815 million (\$318,156 thousand) in Electronics & Automotive Systems, ¥6,155 million (\$50,451 thousand) in Functional products, ¥352 million (\$2,885 thousand) in Service and Development, etc., respectively. “Segment income” increased by ¥30 million (\$246 thousand) in Infrastructure and 8 million (\$66 thousand) in Functional products, respectively, and decreased by ¥362 million (\$2,967 thousand) in Electronics & Automotive Systems. “Segment loss” increased by ¥62 million (\$508 thousand) in Service and Development, etc.

c) Segment information on sales and income (loss), identifiable assets and other items by business for the years ended March 31, 2022 and 2021 is summarized as follows:

(For the year ended March 31, 2022)

		Millions of Yen						
		Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales								
Outside customers	¥	293,773	¥ 488,849	¥ 123,715	¥ 24,157	¥ 930,496	¥ -	¥ 930,496
Inter-segment sales		3,177	11,863	6,283	10,321	31,645	(31,645)	-
Total		296,950	500,713	129,998	34,479	962,141	(31,645)	930,496
Segment income (loss)	¥	5,184	¥ 123	¥ 7,583	¥ (1,368)	¥ 11,522	¥ (94)	¥ 11,428
Segment assets	¥	283,283	¥ 348,381	¥ 120,729	¥ 110,487	¥ 862,881	¥ 72,994	¥ 935,876
Others								
Depreciation	¥	11,046	¥ 13,715	¥ 5,341	¥ 1,524	¥ 31,628	¥ 2,093	¥ 33,721
Amortization of goodwill	¥	-	122	38	345	505	-	505
Investments in affiliates accounted for by the equity method	¥	8,122	¥ 9,323	¥ 9,781	¥ 58,360	¥ 85,588	¥ -	¥ 85,588
Tangible/intangible fixed assets increased	¥	11,384	¥ 15,494	¥ 5,790	¥ 1,415	¥ 34,085	¥ 4,059	¥ 38,144

		Thousands of U.S. dollars						
		Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales								
Outside customers	\$	2,407,975	\$ 4,006,959	\$ 1,014,057	\$ 198,008	\$ 7,627,016	\$ -	\$ 7,627,016
Inter-segment sales		26,041	97,238	51,500	84,598	259,385	(259,385)	-
Total		2,434,016	4,104,205	1,065,557	282,615	7,886,402	(259,385)	7,627,016
Segment income (loss)	\$	42,492	\$ 1,008	\$ 62,156	\$ (11,213)	\$ 94,443	\$ (770)	\$ 93,672
Segment assets	\$	2,321,992	\$ 2,855,582	\$ 989,582	\$ 905,631	\$ 7,072,795	\$ 598,311	\$ 7,671,115
Others								
Depreciation	\$	90,541	\$ 112,418	\$ 43,779	\$ 12,492	\$ 259,246	\$ 17,156	\$ 276,402
Amortization of goodwill	\$	-	1,000	311	2,828	4,139	-	4,139
Investments in affiliates accounted for by the equity method	\$	66,574	\$ 76,418	\$ 80,172	\$ 478,361	\$ 701,541	\$ -	\$ 701,541
Tangible/intangible fixed assets increased	\$	93,311	\$ 127,000	\$ 47,459	\$ 11,598	\$ 279,385	\$ 33,270	\$ 312,656

\*1 Adjustments for Segment income (loss) of ¥94 million (\$770 thousand) includes the elimination of unrealized profit and others.

\*2 Adjustments for Segment income (loss) is adjusted to the operating income in Consolidated statement of income.

\*3 Adjustments for Assets of ¥72,994 million (\$598,311 thousand) includes corporate assets of ¥81,558 million (\$668,508 thousand) that are not allocated to each segment, and Δ¥8,564 million (Δ\$70,197 thousand) for the elimination of receivables and payables.

\*4 Adjustments for Depreciation of ¥2,093 million (\$17,156 thousand) includes depreciation of corporate assets and others.

\*5 Adjustments for Tangible/intangible fixed assets increased of ¥4,059 million (\$33,270 thousand) includes corporate Tangible/intangible fixed assets increased and others.

(For the year ended March 31, 2021)

		Millions of Yen						
		Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales								
Outside customers	¥	255,513	¥ 423,026	¥ 108,648	¥ 24,412	¥ 811,600	¥ -	¥ 811,600
Inter-segment sales		3,673	10,013	6,031	14,300	34,018	(34,018)	-
Total		259,186	433,039	114,680	38,712	845,619	(34,018)	811,600
Segment income (loss)	¥	(2,129)	¥ 5,858	¥ 6,298	¥ (1,707)	¥ 8,319	¥ 110	¥ 8,429
Segment assets	¥	250,876	¥ 292,796	¥ 103,915	¥ 100,332	¥ 747,921	¥ 84,122	¥ 832,044
Others								
Depreciation	¥	10,244	¥ 13,195	¥ 4,843	¥ 1,592	¥ 29,876	¥ 2,286	¥ 32,163
Amortization of goodwill	¥	41	117	115	345	620	-	620
Investments in affiliates accounted for by the equity method	¥	7,365	¥ 9,791	¥ 7,494	¥ 47,010	¥ 71,662	¥ -	¥ 71,662
Tangible/intangible fixed assets increased	¥	10,329	¥ 15,492	¥ 6,708	¥ 1,940	¥ 34,471	¥ 5,492	¥ 39,963

\*1 Adjustments for Segment income (loss) of ¥110 million includes the elimination of unrealized profit and others.

\*2 Adjustments for Segment income (loss) is adjusted to the operating income in Consolidated statement of income.

\*3 Adjustments for Assets of ¥84,122 million includes corporate assets of ¥100,938 million that are not allocated to each segment, and Δ¥16,815 million for the elimination of receivables and payables.

\*4 Adjustments for Depreciation of ¥2,286 million includes depreciation of corporate assets and others.

\*5 Adjustments for Tangible/intangible fixed assets increased of ¥5,492 million includes corporate Tangible/intangible fixed assets increased and others.

<Related information>  
Information by regions

(For the year ended March 31, 2022)

Millions of Yen						
	Japan	China	Other Asian areas	North middle America	Other	Total
Net sales	¥ 461,450	¥ 100,457	¥ 190,877	¥ 91,716	¥ 85,994	¥ 930,496

  

Millions of Yen					
	Japan	Asia	North middle America	Other	Total
Property, plant and equipment, net of accumulated depreciation	¥ 140,983	¥ 74,411	¥ 33,290	¥ 11,477	¥ 260,163

  

Thousands of U.S. dollars						
	Japan	China	Other Asian areas	North middle America	Other	Total
Net sales	\$ 3,782,377	\$ 823,418	\$ 1,564,566	\$ 751,770	\$ 704,869	\$ 7,627,016

  

Thousands of U.S. dollars					
	Japan	Asia	North middle America	Other	Total
Property, plant and equipment, net of accumulated depreciation	\$ 1,155,598	\$ 609,926	\$ 272,869	\$ 94,074	\$ 2,132,484

(For the year ended March 31, 2021)

Millions of Yen						
	Japan	China	Other Asian areas	North middle America	Other	Total
Net sales	¥ 435,195	¥ 82,777	¥ 141,029	¥ 78,179	¥ 74,418	¥ 811,600

  

Millions of Yen					
	Japan	Asia	North middle America	Other	Total
Property, plant and equipment, net of accumulated depreciation	¥ 138,220	¥ 65,845	¥ 33,299	¥ 9,378	¥ 246,744

<Information of impairment loss by reportable segments>

(For the year ended March 31, 2022)

Millions of Yen							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	¥ 1,017	¥ 471	¥ -	¥ -	¥ 1,489	¥ -	¥ 1,489

  

Thousands of U.S. dollars							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	\$ 8,336	\$ 3,861	\$ -	\$ -	\$ 12,205	\$ -	\$ 12,205

(For the year ended March 31, 2021)

Millions of Yen							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	¥ 1,085	¥ 289	¥ 990	¥ 176	¥ 2,542	¥ -	¥ 2,542

<Information of goodwill by reportable segments>

(For the year ended March 31, 2022)

Millions of Yen							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	¥ -	¥ 122	¥ 38	¥ 345	¥ 505	¥ -	¥ 505
Goodwill as of March 31	¥ -	¥ -	¥ 84	¥ 489	¥ 573	¥ -	¥ 573

  

Thousands of U.S. dollars							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	\$ -	\$ 1,000	\$ 311	\$ 2,828	\$ 4,139	\$ -	\$ 4,139
Goodwill as of March 31	\$ -	\$ -	\$ 689	\$ 4,008	\$ 4,697	\$ -	\$ 4,697

(For the year ended March 31, 2021)

Millions of Yen							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	¥ 41	¥ 117	¥ 115	¥ 345	¥ 620	¥ -	¥ 620
Goodwill as of March 31	¥ -	¥ 589	¥ 25	¥ 835	¥ 1,450	¥ -	¥ 1,450

## 25. Related Party Transactions

### a) Related Party Transactions

(1) Transactions of the Company with related companies and others  
(For the year ended March 31, 2022)

None.

(For the year ended March 31, 2021)

None.

(2) Transactions of the subsidiaries with related companies and others  
(For the year ended March 31, 2022)

None.

(For the year ended March 31, 2021)

None.

### b) Information on the parent company and significant affiliate companies

(For the years ended March 31, 2022 and 2021)

(1) Information on the parent company

None.

(2) Financial statements of a significant affiliate company

Significant affiliate companies are UACJ Corporation and Asia Vital Components Co.,Ltd.. Summarized aggregate financial statement data of each company is as follows.

UACJ Corporation	Millions of Yen			Thousands of U.S.
	2022	2021	2022	dollars
Total current assets	¥ 394,618	¥ 294,502	\$ 3,234,574	
Total non-current assets	434,111	438,457	3,558,287	
Total current liabilities	322,136	251,150	2,640,459	
Total non-current liabilities	259,004	285,365	2,122,984	
Net assets	247,589	196,445	2,029,418	
Sales	782,911	569,756	6,417,303	
Profit before income taxes	50,114	3,473	410,770	
Profit attributable to owners of parent	¥ 32,054	¥ (3,269)	\$ 262,738	

Asia Vital Components Co.,Ltd.	Millions of Yen			Thousands of U.S.
	2022	2021	2022	dollars
Total current assets	¥ 160,319	¥ -	\$ 1,314,090	
Total non-current assets	50,770	-	416,148	
Total current liabilities	116,099	-	951,631	
Total non-current liabilities	36,537	-	299,484	
Net assets	58,452	-	479,115	
Sales	185,998	-	1,524,574	
Profit before income taxes	18,736	-	153,574	
Profit attributable to owners of parent	¥ 11,398	¥ -	\$ 93,426	

Note:

To reflect the change in the quantitative materiality, Asia Vital Components Co.,Ltd." is classified as significant affiliate companies from this fiscal year.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Furukawa Electric Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Furukawa Electric Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, 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 4 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.



<b>Assessment of impairment loss recognition regarding fixed assets in the Infrastructure segment</b>	
<b>Key Audit Matter Description</b>	<b>How the Key Audit Matter Was Addressed in the Audit</b>
<p>(Impairment of fixed assets)</p> <p>Of the fixed assets of 280,689 million yen recorded in the consolidated balance sheet as of March 31, 2022, fixed assets classified to a certain asset group that were included in the Group's Infrastructure segment ("the asset group") was 12,214 million yen.</p> <p>Such fixed assets are depreciated and amortized consistently. If any impairment indicators exist, the Group assesses whether to recognize an impairment loss by comparing the total amount of undiscounted future cash flows generated from the asset group with its carrying amount. If recognition of impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount and is recorded as an impairment loss.</p> <p>As stated in Note 3, Significant Accounting Estimates (a) The estimates and judgments based on the future business plan (ii) Impairment of fixed assets, to the consolidated financial statements, the Group determined that an indication of impairment existed in the asset group due to deteriorating profitability caused by raw material shortages, the rising raw material prices and transportation costs, the improvement of productivity, and tested whether an impairment loss should be recognized. As a result of the test, the Group concluded that the recognition of impairment loss was not necessary since the total amount of the undiscounted future cash flows generated from the asset group exceeded the carrying amount.</p> <p>The undiscounted future cash flows estimated based on the medium-term management plan to test whether an impairment loss needs to be recognized includes significant assumptions by management, such as the following factors included in the future business plans: sales volume, unit sales price, market forecast and disposal value of the fixed assets, and such estimation involves uncertainties.</p> <p>We identified the assessment of impairment loss recognition regarding the fixed assets in the asset group as a key audit matter because (1) the fixed assets in the asset group were quantitatively material and (2) significant assumptions used in the estimation of the undiscounted future cash flows involves uncertainties and significant judgments made by management.</p>	<p>Our audit procedures related to testing the appropriateness of the assessment of impairment loss recognition regarding the fixed assets classified to a certain asset group that are included in the Group's Infrastructure segment included the following, among others:</p> <p>(1) Evaluation of controls</p> <ul style="list-style-type: none"> <li>We evaluated the design and operating effectiveness of controls related to the assessment of impairment loss recognition for fixed assets, specifically focusing on controls over the estimation of the undiscounted future cash flows.</li> </ul> <p>(2) Evaluation of the reasonableness of the estimated undiscounted future cash flows</p> <p>We tested whether the estimation method selected by management, the significant assumptions used in the future business plans and the data used in calculating the disposal value of fixed assets were in accordance with the applied financial framework. We also tested whether management appropriately addressed the estimation uncertainty in the undiscounted future cash flows by performing the following:</p> <ul style="list-style-type: none"> <li>We assessed the consistency of the future business plans used as a basis of the undiscounted future cash flows with the management-approved budget for the next fiscal year and the medium-term management plan. We also evaluated the degree of reliability of and uncertainty in management's estimates by comparing the budgets and the medium-term management plans for past years with the actual results.</li> <li>For the sales volume and sales unit price, which are significant assumptions used in the estimation of the future business plans, we inquired of management and people responsible for preparing the future business plans. We also inspected sales contracts evidencing actual orders received for future periods. For the market forecast, we performed a comparison with available external data, a comparison with peer companies and an analysis of historical trend of the financial results.</li> <li>We involved our valuation specialists to assist us in testing the valuation methodology and results in management's valuation of the disposal value of fixed assets.</li> </ul>



## **Other Information**

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

## **Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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.

Audit & Supervisory Board members and the Audit & Supervisory Board are 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 Audit & Supervisory Board members 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and 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 members 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.

Deloitte Touche Tohmatsu LLC  
August 5, 2022