

# Detailed Consolidated Financial Statements

**Dai Nippon Printing Co., Ltd.**

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Issued : August 31, 2022  
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PRINTED IN JAPAN

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEETS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries  
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	2022	2021	2022
<b>Current assets:</b>			
Cash and cash equivalents (Notes 4 and 7)	¥ 293,361	¥ 304,223	\$ 2,404,598
Time deposits	1,873	5,939	15,352
Trade receivables (Notes 10 and 19)	324,548	324,625	2,660,230
Allowance for doubtful receivables	(693)	(716)	(5,680)
Inventories (Note 6)	141,621	126,771	1,160,828
Prepaid expenses and other current assets (Notes 5, 10 and 19)	44,103	44,976	361,500
Total current assets	804,813	805,818	6,596,828
<b>Investments and advances:</b>			
Non-consolidated subsidiaries and associated companies (Notes 10 and 16)	75,641	68,559	620,008
Investment securities (Notes 5, 7 and 16)	347,773	362,780	2,850,598
Other	304	624	2,492
Total investments and advances	423,718	431,963	3,473,098
<b>Property, plant and equipment, at cost (Notes 7, 14 and 15):</b>			
Land	139,573	141,808	1,144,041
Buildings and structures	529,948	533,513	4,343,836
Machinery and equipment	794,755	811,669	6,514,386
Leased assets and right-of-use assets	17,687	16,965	144,975
Construction in progress	25,641	13,239	210,172
Total	1,507,604	1,517,194	12,357,410
Accumulated depreciation	(1,085,728)	(1,097,164)	(8,899,410)
Net property, plant and equipment	421,876	420,030	3,458,000
<b>Other assets</b>			
Net defined benefit asset (Note 8)	166,130	111,933	1,361,722
Other (Note 13)	60,110	55,275	492,704
Total other assets	226,240	167,208	1,854,426
<b>Total assets</b>	¥ 1,876,647	¥ 1,825,019	\$ 15,382,352

	Millions of yen		Thousands of U.S. dollars (Note 3)
Liabilities and Net Assets	2022	2021	2022
<b>Current liabilities:</b>			
Short-term bank loans (Note 7)	¥ 33,991	¥ 37,321	\$ 278,615
Current portion of long-term debt (Notes 7 and 16)	3,618	6,115	29,656
Trade payables (Notes 10)	236,188	226,607	1,935,967
Accrued expenses (Note 10)	44,338	44,379	363,426
Income taxes payable (Note 13)	10,051	7,124	82,385
Reserve for repairs	17,253	17,688	141,418
Other current liabilities (Notes 7, 10 and 19)	60,669	68,891	497,287
Total current liabilities	406,108	408,125	3,328,754
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 16)	116,754	115,119	957,000
Net defined benefit liability (Note 8)	55,889	35,175	458,107
Other long-term liabilities (Notes 7, 10, 13 and 19)	149,483	167,986	1,225,270
Total long-term liabilities	322,126	318,280	2,640,377
<b>Contingent liabilities (Note 18)</b>			
<b>Net assets</b>			
<b>Stockholders' equity</b>			
Common stock -			
Authorized: 745,000,000 shares;			
Issued: 317,240,346 shares;	114,464	114,464	938,230
Capital surplus (Note 9)	145,143	145,025	1,189,697
Retained earnings (Note 9)	740,183	683,784	6,067,074
Treasury stock, at cost 48,175,114 shares in 2022 and 43,363,670 shares in 2021 (Note 9)	(133,123)	(122,920)	(1,091,173)
Total stockholders' equity	866,667	820,353	7,103,828
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities (Note 5)	192,994	202,018	1,581,918
Net deferred gains on hedges (Note 17)	46	12	377
Foreign currency translation adjustments	4,221	(5,083)	34,598
Remeasurements of defined benefit plans (Note 8)	27,933	26,678	228,959
Total accumulated other comprehensive income	225,194	223,625	1,845,852
<b>Non-controlling interests</b>	56,552	54,636	463,541
<b>Total net assets</b>	1,148,413	1,098,614	9,413,221
<b>Total liabilities and net assets</b>	¥ 1,876,647	¥ 1,825,019	\$ 15,382,352

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

CONSOLIDATED STATEMENTS OF INCOME

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Net sales (Note 20)	¥ 1,344,147	¥ 1,335,440	\$ 11,017,598
Cost of sales	1,051,218	1,058,526	8,616,541
Gross profit	292,929	276,914	2,401,057
Selling, general and administrative expenses (Note 11)	226,140	227,385	1,853,606
Operating income (Note 20)	66,789	49,529	547,451
Other income (expenses) (Note 12):			
Interest and dividends income	4,114	4,342	33,721
Interest expenses	(736)	(1,256)	(6,033)
Equity in earnings of affiliates	8,687	6,742	71,205
Foreign exchange translation gain	1,118	466	9,164
Net gain (loss) on sales or disposal of property, plant and equipment	3,215	(2,330)	26,352
Net gain (loss) on sales of investment securities	11,943	(3,004)	97,893
Loss on devaluation of investment securities	(742)	(2,905)	(6,082)
Impairment loss on fixed assets (Note 14)	(3,506)	(4,102)	(28,738)
Revision of retirement benefit plan	18,534	-	151,918
Compensation income	-	365	-
Reversal of reserve for repairs	14,674	-	120,279
Other	2,801	(1,446)	22,960
	60,102	(3,128)	492,639
Income before income taxes and non-controlling interests	126,891	46,401	1,040,090
Income taxes (Note 13):			
Current	17,998	14,875	147,525
Deferred	8,392	3,753	68,785
	26,390	18,628	216,310
Net income	100,501	27,773	823,780
Net income attributable to non-controlling shareholders	3,319	2,685	27,206
Net income attributable to parent company shareholders	¥ 97,182	¥ 25,088	\$ 796,574

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Net income	¥ 100,501	¥ 27,773	\$ 823,780
Other comprehensive income			
Valuation difference on available-for-sale securities	(9,045)	91,947	(74,136)
Net deferred gains on hedges	35	9	286
Foreign currency translation adjustments	7,553	(2,325)	61,907
Remeasurements of defined benefit plans	1,569	31,272	12,861
Share of other comprehensive income (loss) in associates accounted for using the equity method	3,157	(448)	25,879
Total other comprehensive income	3,269	120,455	26,797
Comprehensive income	¥ 103,770	¥ 148,228	\$ 850,577
Attributable to:			
Parent company shareholders	¥ 99,514	¥ 145,856	\$ 815,692
Non-controlling shareholders	4,256	2,372	34,885

	Yen		U.S. dollars (Note 3)
	2022	2021	2022
Per share information:			
Net assets	¥ 4,057.98	¥ 3,716.85	\$ 33.26
Net income	355.84	89.32	2.92
Diluted net income	355.79	89.28	2.92

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

				Millions of yen								
	Number of shares issued (in thousands)	Stockholders' equity			Accumulated other comprehensive income							Total net assets
		Common stock	Capital surplus		Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred gains on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	
Balance at April 1, 2020	324,240	¥ 114,464	¥ 145,024		¥ 676,346	¥ (122,911)	¥ 110,052	¥ 6	¥ (3,449)	¥ (3,752)	¥ 52,795	¥ 968,575
Changes of items during the period												
Cash dividends paid	-	-	-		(17,977)	-	-	-	-	-	-	(17,977)
Net income attributable to parent company shareholders	-	-	-		25,088	-	-	-	-	-	-	25,088
Change of scope of consolidation	-	-	-		327	-	-	-	-	-	-	327
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	1		-	-	-	-	-	-	-	1
Purchases of treasury stock	-	-	-		-	(9)	-	-	-	-	-	(9)
Disposal of treasury stock	-	-	(0)		(0)	0	-	-	-	-	-	0
Changes in valuation difference on available-for-sale securities	-	-	-		-	-	91,966	-	-	-	-	91,966
Changes in deferred gains (losses) on hedges	-	-	-		-	-	-	6	-	-	-	6
Changes in foreign currency translation adjustments	-	-	-		-	-	-	-	(1,634)	-	-	(1,634)
Changes in remeasurements of defined benefit plans	-	-	-		-	-	-	-	-	30,430	-	30,430
Changes in non-controlling interests	-	-	-		-	-	-	-	-	-	1,841	1,841
Total changes of items during the period	-	-	1		7,438	(9)	91,966	6	(1,634)	30,430	1,841	130,039
Balance at March 31, 2021	324,240	114,464	145,025		683,784	(122,920)	202,018	12	(5,083)	26,678	54,636	1,098,614
Balance at April 1, 2021	324,240	114,464	145,025		683,784	(122,920)	202,018	12	(5,083)	26,678	54,636	1,098,614
Cumulative effects of changes in accounting policies	-	-	-		25	-	-	-	-	-	-	25
Cumulative effects of changes in accounting policies at equity-method affiliates	-	-	-		(3,355)	-	(297)	0	4	(470)	-	(4,118)
Adjusted balance at April 1, 2021	324,240	114,464	145,025		680,454	(122,920)	201,721	12	(5,079)	26,208	54,636	1,094,521
Changes of items during the period												
Cash dividends paid	-	-	-		(17,643)	-	-	-	-	-	-	(17,643)
Net income attributable to parent company shareholders	-	-	-		97,182	-	-	-	-	-	-	97,182
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	118		-	-	-	-	-	-	-	118
Change in treasury stock arising from change in equity in entities accounted for using equity method	-	-	-		-	0	-	-	-	-	-	0
Purchases of treasury stock	-	-	-		-	(30,013)	-	-	-	-	-	(30,013)
Disposal of treasury stock	-	-	-		(0)	0	-	-	-	-	-	0
Retirement of treasury stock	(7,000)	-	-		(19,810)	19,810	-	-	-	-	-	-
Changes in valuation difference on available-for-sale securities	-	-	-		-	-	(8,727)	-	-	-	-	(8,727)
Changes in deferred gains (losses) on hedges	-	-	-		-	-	-	34	-	-	-	34
Changes in foreign currency translation adjustments	-	-	-		-	-	-	-	9,300	-	-	9,300
Changes in remeasurements of defined benefit plans	-	-	-		-	-	-	-	-	1,725	-	1,725
Changes in non-controlling interests	-	-	-		-	-	-	-	-	-	1,916	1,916
Total changes of items during the period	(7,000)	-	118		59,729	(10,203)	(8,727)	34	9,300	1,725	1,916	53,892
Balance at March 31, 2022	317,240	¥ 114,464	¥ 145,143		¥ 740,183	¥ (133,123)	¥ 192,994	¥ 46	¥ 4,221	¥ 27,933	¥ 56,552	¥ 1,148,413

				Thousands of U.S. dollars (Note 3)								
	Number of shares issued (in thousands)	Stockholders' equity			Accumulated other comprehensive income							Total net assets
		Common stock	Capital surplus		Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Net deferred gains on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	
Balance at April 1, 2021	324,240	\$ 938,230	\$ 1,188,730		\$ 5,604,787	\$ (1,007,541)	\$ 1,655,885	\$ 98	\$ (41,664)	\$ 218,672	\$ 447,836	\$ 9,005,033
Cumulative effects of changes in accounting policies	-	-	-		213	-	-	-	-	-	-	213
Cumulative effects of changes in accounting policies at equity-method affiliates	-	-	-		(27,500)	-	(2,434)	0	33	(3,852)	-	(33,753)
Adjusted balance at April 1, 2021	324,240	938,230	1,188,730		5,577,500	(1,007,541)	1,653,451	98	(41,631)	214,820	447,836	8,971,493
Changes of items during the period												
Cash dividends paid	-	-	-		(144,623)	-	-	-	-	-	-	(144,623)
Net income attributable to parent company shareholders	-	-	-		796,574	-	-	-	-	-	-	796,574
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	967		-	-	-	-	-	-	-	967
Change in treasury stock arising from change in equity in entities accounted for using equity method	-	-	-		-	0	-	-	-	-	-	0
Purchases of treasury stock	-	-	-		-	(246,009)	-	-	-	-	-	(246,009)
Disposal of treasury stock	-	-	-		(0)	0	-	-	-	-	-	0
Retirement of treasury stock	(7,000)	-	-		(162,377)	162,377	-	-	-	-	-	-
Changes in valuation difference on available-for-sale securities	-	-	-		-	-	(71,533)	-	-	-	-	(71,533)
Changes in deferred gains (losses) on hedges	-	-	-		-	-	-	279	-	-	-	279
Changes in foreign currency translation adjustments	-	-	-		-	-	-	-	76,229	-	-	76,229
Changes in remeasurements of defined benefit plans	-	-	-		-	-	-	-	-	14,139	-	14,139
Changes in non-controlling interests	-	-	-		-	-	-	-	-	-	15,705	15,705
Total changes of items during the period	(7,000)	-	967		489,574	(83,632)	(71,533)	279	76,229	14,139	15,705	441,728
Balance at March 31, 2022	317,240	\$ 938,230	\$ 1,189,697		\$ 6,067,074	\$ (1,091,173)	\$ 1,581,918	\$ 377	\$ 34,598	\$ 228,959	\$ 463,541	\$ 9,413,221

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
<b>Cash flows from operating activities:</b>			
Income before income taxes and non-controlling interests	¥ 126,891	¥ 46,401	\$ 1,040,090
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation	51,155	50,893	419,303
Impairment loss on fixed assets	3,506	4,102	28,738
Allowance for doubtful receivables	(853)	(235)	(6,992)
Net defined benefit asset	(35,003)	(3,381)	(286,910)
Net defined benefit liability	3,851	363	31,566
Equity in earnings of affiliates	(8,687)	(6,742)	(71,205)
Amortization of goodwill	522	994	4,278
Interest and dividends income	(4,114)	(4,342)	(33,721)
Interest expenses	736	1,256	6,033
Net loss (gain) on sales of investment securities	(11,943)	3,004	(97,893)
Loss on devaluation of investment securities	742	2,905	6,082
Net loss (gain) on sale or disposal of property, plant and equipment	(3,168)	2,411	(25,967)
Reversal of reserve for repairs	(14,674)	-	(120,279)
Changes in assets and liabilities			
Trade receivables	2,461	6,253	20,171
Inventories	(13,356)	7,066	(109,475)
Trade payables	7,882	(11,531)	64,607
Other assets and liabilities	(2,971)	(111)	(24,352)
Sub-total	102,977	99,306	844,074
Payments for repair costs	(7,216)	(8,116)	(59,147)
Extra retirement payments	(197)	(450)	(1,615)
Payments of income taxes	(13,535)	(29,058)	(110,943)
Net cash provided by operating activities	82,029	61,682	672,369
<b>Cash flows from investing activities:</b>			
Net decrease (increase) in time deposits	4,502	(2,255)	36,902
Payments for purchases of property, plant and equipment	(53,614)	(50,993)	(439,459)
Proceeds from sales of property, plant and equipment	8,121	2,025	66,566
Payments for purchases of investment securities	(1,571)	(945)	(12,877)
Proceeds from sales of investment securities	14,748	5,504	120,885
Payments for purchases of stock in subsidiaries resulting in a change in the scope of consolidation	(51)	(2,552)	(418)
Proceeds from purchases of stock in subsidiaries resulting in a change in the scope of consolidation	-	21	-
Payments for purchases of intangible assets	(12,207)	(10,992)	(100,057)
Interest and dividends received	6,980	8,260	57,213
Other investing activities	(6,117)	(4,357)	(50,140)
Net cash used in investing activities	(39,209)	(56,284)	(321,385)

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
<b>Cash flows from financing activities:</b>			
Net decrease in short-term bank loans	(3,351)	(1,929)	(27,467)
Proceeds from long-term debt	4,790	4,295	39,262
Repayments of long-term debt	(2,009)	(3,404)	(16,467)
Payments for redemption of debentures	(3,570)	(52,490)	(29,262)
Payments for purchase of stock in subsidiaries not resulting in a change in the scope of consolidation	(878)	-	(7,197)
Proceeds from sales of stock in subsidiaries not resulting in a change in the scope of consolidation	10	-	82
Payments for purchases of treasury stocks	(30,860)	(11)	(252,951)
Interest paid	(734)	(1,448)	(6,016)
Dividends paid	(17,643)	(17,976)	(144,615)
Dividends paid to non-controlling shareholders	(510)	(552)	(4,180)
Other financing activities	(2,997)	(4,754)	(24,566)
Net cash used in financing activities	(57,752)	(78,269)	(473,377)
Effect of exchange rate changes on cash and cash equivalents	4,055	(416)	33,237
Net decrease in cash and cash equivalents	(10,877)	(73,287)	(89,156)
Cash and cash equivalents at beginning of year	304,223	377,367	2,493,631
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	15	143	123
Cash and cash equivalents at end of year (Note 4)	¥ 293,361	¥ 304,223	\$ 2,404,598

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

# Notes to Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries  
March 31, 2022 and 2021

## 1. Basis of Presenting the Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. (hereinafter referred to as the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards("IFRS"). And its foreign subsidiaries maintain their books of account and prepare their financial statements in conformity with either IFRS or accounting principles generally accepted in the United States of America ("US GAAP"), with adjustments for the specified five items required by the Practical Issues Task Force No.18, issued by the Accounting Standards Board of Japan ("ASBJ"), as applicable.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency of Japan as required by the Financial Instruments and Exchange Act of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. Certain reclassifications have also been made in the 2021 financial statements to conform with current year presentations. In addition, the notes to the consolidated financial statements include additional information that is not required for disclosure under Japanese GAAP.

## 2. Significant Accounting Policies

### Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries. All significant intercompany accounts and intercompany transactions have been eliminated in consolidation.

Consolidated financial statements include the accounts of the Company and 116 consolidated subsidiaries. Some subsidiaries are consolidated with their fiscal year ends that differ from that of the Company. Significant transactions that took place between their fiscal year ends and the Company's fiscal year end are reflected in the consolidated financial statements.

Investments in non-consolidated subsidiaries are stated at cost and, for valuation of such investments, the equity method has not been applied since these investments are considered immaterial in the aggregate. However, investments are devalued if the decline in value is judged to be other than temporary.

Investments in 20% to 50% associated companies are principally accounted for by the equity method.

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets and are amortized by the straight-line method over a period of the effect, up to twenty years.

### Translation of foreign currency accounts

Monetary assets and liabilities denominated in foreign currencies of the Company and its domestic subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rates prevailing during the year. The resulting translation gains or losses are included in other income (expenses).

The translation of foreign currency financial statements of foreign consolidated subsidiaries into Japanese yen has been made for consolidation purposes in accordance with the translation method prescribed in the accounting standard for foreign currency transactions. The balance sheet accounts of the foreign consolidated subsidiaries are translated at the exchange rates at the balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates prevailing during the year. The resulting translation adjustments are presented as "foreign currency translation adjustments" as reported in a separate component of accumulated other comprehensive income and "non-controlling interests" in the consolidated balance sheets.

### Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturities that they present an insignificant risk of changes in value.

### Inventories

Inventories are stated at cost that is determined substantially by the average method being written-down to reflect the decline of profitability.

### Marketable securities and investment securities

Debt securities that are held to maturity with positive intent and ability ("held-to-maturity debt securities") are stated at amortized cost. Available-for-sale securities with other than equity securities, etc., that do not have a market price are stated at fair value. Unrealized gains and losses on available-for-sale securities, net of applicable taxes, are reported in a separate component of accumulated other comprehensive income in the consolidated balance sheets.

Equity securities, etc., that do not have a market price are stated at cost determined by the average method. For other than temporary declines in fair value, the carrying amount of investment securities is reduced to net realizable value by a charge to income.

### Property, plant and equipment and depreciation

The Company and its domestic consolidated subsidiaries mainly use the declining-balance method. However, depreciation of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and of facilities attached to buildings and structures acquired on or after April 1, 2016 is computed by the straight-line method.

Assets with an acquisition cost of ¥100,000 (\$820) or more but less than ¥200,000 (\$1,639) are depreciated equally over three years.

Foreign consolidated subsidiaries mainly use the straight-line method.

The estimated useful lives are summarized as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 17 years

### Leased assets

Leased assets with transfer of ownership are depreciated using the same depreciation method applied to owned fixed assets.

Finance leases that do not transfer ownership are capitalized. Depreciation for leased assets is computed on a straight-line basis over the lease period with a residual value of zero.

### Right-of-use assets

Depreciation for right-of-use assets is computed on a straight-line basis over the lease period with a residual value of zero.

### Intangible assets

Intangible assets included in other assets are carried at cost less accumulated amortization calculated by the straight-line method over their estimated useful lives. Software for internal use included in intangible assets is amortized by the straight-line method over five years.

### Impairment loss on fixed assets

The Company and its subsidiaries review 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 would be recognized if the carrying amount of an asset or asset group exceeded the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### Employees' retirement benefits

The Company and domestic significant consolidated subsidiaries applied the accounting standard for employees' retirement benefits. Under the accounting standard, accrued pension and liability for employees' retirement benefits has been provided based on the estimated amounts of projected pension and severance obligation and fair value of plan assets at the end of the fiscal year. The benefit formula basis is applied for the method of attributing expected retirement benefits to periods. Prior service cost is being amortized as incurred by the straight-line method over the period within the average remaining service periods (primarily six years) of the eligible employees. Actuarial gains and losses have been amortized from the following fiscal year by the declining-balance method over the periods within the average remaining service periods (primarily nine years) of the eligible employees.

### Revenue and expense

The Company and domestic consolidated subsidiaries applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the fiscal year ended March 31, 2022. Accordingly, when the control of promised goods or services is transferred to customers, revenue is recognized in an amount that reflects the consideration to which the Company and its domestic subsidiaries expect to be entitled in exchange for those goods or services.

In relation to recognition of revenue from contracts with customers, the details of major performance obligations in major businesses of the Company or its consolidated subsidiaries, and typical timing of satisfaction of those performance obligations (typical timing of revenue recognition) are as follows:

- Details of major performance obligations in major businesses  
The major performance obligations of the Company and its consolidated subsidiaries are the sale of products or merchandise or the provision of services, etc., by its business segments, which are Information and Communication, Lifestyle and Industrial Supplies, Electronics, and Beverages. Specific products offered by each business segment are listed in Note 20.
- Typical timing of satisfaction of performance obligations (typical timing of revenue recognition)
  - Sale of products or merchandise (Information and Communication, Lifestyle and Industrial Supplies, and Electronics segments)  
Regarding the domestic sale of products or merchandise, they mainly apply the alternative treatment stipulated in Section 98 of the Guidelines for Applying Accounting Standards for Revenue Recognition. Revenue is recognized upon shipment in case where the period from shipment to transfer of the control of the products or merchandise to the customer is regarded as typical. With regard to export sales of products or merchandise, when the burden of risks of the products or merchandise are transferred to the customer, considering the terms of the trade contract, the customer obtains the controls of those products or merchandise. At that point in time the Company and its domestic consolidated subsidiaries satisfy their performance obligation, and the revenue is recognized. In addition, regarding merchandise sales at retail stores of some of our consolidated subsidiaries (Information Communication business segment), revenue is recognized when the products are delivered to the customer, since it is determined that the customer obtains the control of the products and the consolidated subsidiaries satisfy performance obligation at the point in time.
  - Provision of services (Information and Communication, Lifestyle and Industrial Supplies, and Electronics segments)  
Concerning the provision of services, in cases where the performance obligation is satisfied at a point in time, revenue is recognized when the service is provided and accepted by the customer. In cases where the performance obligation is satisfied over time based on the contracts with customer, the revenue is recognized over time. The consideration is allocated evenly over the contract period.
  - Sale of beverages (Beverages segment)  
Regarding the sale of beverages, revenue is recognized when the product or merchandise is delivered to the customer and the customer obtains control of the product or merchandise, because it is determined that the performance obligation has been satisfied at the point in time.

### Research and development expenses

Research and development expenses are charged to income as incurred.

### Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

### Derivatives and hedging activities

The Company and certain consolidated subsidiaries use derivative financial instruments ("derivatives") for foreign currency forward contracts, to manage the risk arising from fluctuations in foreign currency exchange rates. The Company and its subsidiaries do not enter into derivatives contracts for speculative purposes.

Derivatives are carried at fair value and changes in fair value are recognized as gains or losses, unless the derivatives qualify for the "alternative method" of hedge accounting as described below.

If derivatives meet certain hedging criteria, recognition of gains or losses resulting from changes in the fair value of derivatives is deferred until the related gains or losses on hedged items are recognized.

In cases where foreign currency forward contracts meet certain hedging criteria, the hedged items are stated by the contracted rates ("alternative method").



Per share information

Net assets per share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2022 and 2021, respectively.

Net income per share was computed based on the average number of shares of common stock outstanding after deducting treasury stocks during each year. Necessary adjustments were made to the net income or the number of shares for diluted net income per share in order to reflect dilutive effects.

Reserve for repairs

The reserve for repairs is provided based on a reasonable estimate of the amount of repair costs that will be required in the future to repair defects for certain products.

Significant Accounting Estimates

1. Reserve for repairs
- (1) The reserve for repairs as of March 31, 2022 and 2021 was ¥45,289 million (\$371,221 thousand) and ¥67,179, respectively.
- (2) Other information
- The Company has recognized the reserve for repairs.
- The reserve for repairs is provided based on a reasonable estimate of the amount of repair costs that will be required in the future, by conducting scientific testing and analysis of defects for certain wallpaper products.
- The reasonable estimate is calculated based on the unit repair costs and the quantity of repairs. The unit repair costs are based on the past repair costs and include fluctuation risks of the future payroll costs and the material costs. And the quantity of repairs is estimated based on the quantity of the production of the product that may be subject to repair in the future.
- Therefore, the amount of the reserve for repairs may be affected by fluctuations in the payroll costs and the material costs, etc., and by the conditions of defects occurrence, etc.
- If the amount of actual payments differs from the estimates, it may have a significant impact on the amount of the reserve for repairs recognized in the consolidated financial statements of the next fiscal year.

2. Deferred tax assets

- (1) Deferred tax assets as of March 31, 2022 and 2021 were ¥49,580 million (\$406,393 thousand) and ¥41,118, respectively.
- (2) Other information
- Deferred tax assets are recognized for deductible temporary differences, tax loss carryforwards and tax credit carryforwards to the extent that is expected to be recoverable by future taxable income based on business plans, etc. The timing of recovering and the amount of deferred tax assets are reasonably estimated and calculated.
- When the company calculates deferred tax assets, the estimate is based on the business plans approved by the Board of Directors. While it is not possible to accurately predict when the COVID-19 pandemic will settle down and its effect on the business environment, accounting estimates are based on the assumption that the effect of COVID-19 on the business will continue for a certain period.
- If the main assumption that is used to calculate the amount recognized in the consolidated financial statements of the current fiscal year changes, it may have a significant impact on the amount recognized in the consolidated financial statements of the next fiscal year.

Changes in accounting policies

(Application of "the Accounting Standard for Revenue Recognition")

The Company and domestic consolidated subsidiaries applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereafter "the Revenue Recognition Standard") from the beginning of the fiscal year ended March 31, 2022. When control of promised goods or services is transferred to a customer, revenue is recognized in an amount that reflects the consideration to which the Company and its domestic consolidated subsidiaries expect to be entitled in exchange for those goods or services. The main changes resulting from the adoption of the Revenue Recognition Standard are as follows:

- (1) Recognition of revenue related to buy-sell transaction
- For buy-sell transaction in which the Company and some of its consolidated subsidiaries purchase raw materials, etc., from customers, process those materials and sell back to the same customers, the Company used to recognize revenue as the gross amount including the purchase amount of raw materials, etc., except for some transactions. Revenue is now recognized at the net amount after the deduction of the purchase amount of raw materials, etc.
- (2) Recognition of revenue from transactions in which the Company acts as agent
- Relating to book sales, etc., at some of its consolidated subsidiaries, the Company used to recognize revenue in the entire amount of consideration received from the customers. However, for transactions in which the Company acts as agent in providing goods or service to customers revenue is now recognized at the net amount after deducting the amount paid to the suppliers from the amount received from the customers.

In its application of the Revenue Recognition Standard, the Company complies with the transitional measures stipulated in the notes to Section 84 of the standard. It retroactively applied the new standard to the period prior to the beginning of the fiscal year ended March 31, 2022, and adjusted the fiscal year's initial retained earnings by the cumulative impact of that retroactive application, then began applying the new standard starting with the adjusted balance at the beginning of the period. However, using the approach stipulated in Section 86 of the Revenue Recognition Standard, we did not retroactively apply the new standard to contracts where virtually all revenue had been recognized prior to the beginning of the fiscal year. In addition, the Company used the approach laid out in Section 86 (1) of the Revenue Recognition Standard regarding contracts that were changed before the beginning of the fiscal year. Accounting for such contracts was based on contract terms after all contract changes had been reflected, and the amount of cumulative impact was added to or subtracted from retained earnings at the beginning of the fiscal year.

As a result, net sales for the fiscal year ended March 31, 2022 declined by ¥28,334 million (\$232,246 thousand) compared to before we began to apply the Revenue Recognition Standard, etc., cost of sales declined by ¥23,878 million (\$195,721 thousand), selling, general and administrative expenses by ¥4,154 million (\$34,049 thousand), and operating income by ¥301 million (\$2,467 thousand), income before income taxes and non-controlling interests each decreased by ¥111 million (\$910 thousand).

Since the cumulative impact of this change was reflected in net income at the beginning of the fiscal year ended March 31, 2022, the balance of retained earnings on the consolidated statements of changes in net assets at the beginning of the year increased by ¥25 million (\$205 thousand).

The impact of this change on net income per share is minimal.

In line with the transitional approach stipulated in Section 89-3 of the Revenue Recognition Standard, we did not provide a breakdown of the

balance of contract liabilities or profits generated from contracts with customers for the period prior to the beginning of the fiscal year ended March 31, 2021.

(Application of "the Accounting Standard for Fair Value Measurement")

The Company and domestic consolidated subsidiaries applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereafter, "Fair Value Measurement Standard") etc., as of the beginning of the fiscal year ended March 31, 2022. Going forward, we intend to apply the new accounting policy defined by Fair Value Measurement Standard, etc., in line with the transitional approach stipulated in Section 19 of Fair Value Measurement Standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The impact of this change on the DNP Group's consolidated financial statements is minimal.

Changes in accounting estimates

(Reserve for repairs)

As of the end of the fiscal year ended March 31, 2022, construction work related to almost 70% of the anticipated repairs had been completed. Based on historical data showing the actual cost of labor, materials, etc., incurred at repair sites to date, we reviewed the unit price and prepared a revised estimate of the cost of repairs expected to be needed in the future.

As a result, the difference between the previous estimate and the new estimate was recorded as an extraordinary gain under "reversal of repair reserve." As a result, income before income taxes and non-controlling interests for the fiscal year ended March 31, 2022 increased by ¥14,674 million (\$120,279 thousand).

Additional information

(Accounting estimates on the effect of Coronavirus Disease ("COVID-19"))

The Company and its consolidated subsidiaries estimate the possibility of realization of deferred tax assets, etc., reasonably based on the available information as of the time of preparing the consolidated financial statements.

Accounting estimates are based on the assumption that the effect of COVID-19 on the business will continue for a certain period.

Actual results may differ from those estimates due to uncertainties in estimation.

(Transition of retirement benefit plans)

From October 1, 2021, the Company and some of its consolidated subsidiaries have transitioned a portion of their retirement benefit plans to defined contribution pension plans.

Regarding accounting treatment associated with this change, we applied the Accounting Treatment for Transition between Retirement Benefit Plans (ASBJ Implementation Guidance No. 1, December 16, 2016) and Practical Solution on Accounting for Transfer between Retirement Benefit Plans (Practical Issues Task Force No. 2, February 7, 2007). As a result of this transition, we have recorded ¥18,534 million (\$151,918 thousand) in retirement benefit plan revision gains as extraordinary gains for the fiscal year ended March 31, 2022.

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with Japanese GAAP. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the readers, at the rate of ¥122 = US\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2022. Such translations should not be construed as representations that the Japanese yen at that or any other rate could be converted into U.S. dollars.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2022 and 2021 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Cash and deposits (excluding time deposits and short-term investments (securities) with a maturity over three months)	¥ 293,361	¥ 304,223	\$ 2,404,598

5. Marketable Securities and Investment Securities

The carrying amount and aggregate fair value of marketable and investment securities classified as held-to-maturity debt securities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	Carrying amount	Fair value	Difference
March 31, 2022			
Others	¥ 301	¥ 300	¥ (1)

	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Difference
March 31, 2022			
Others	\$ 2,467	\$ 2,459	\$ (8)

	Millions of yen		
	Carrying amount	Fair value	Difference
March 31, 2021			
Others	¥ 301	¥ 300	¥ (1)

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities including those with other than equity securities, etc., that do not have a market price as of March 31, 2022 and 2021 were as follows:

Millions of yen				
March 31, 2022	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 70,793	¥ 277,928	¥ 1,849	¥ 346,872
Others	10,576	23	-	10,599
Total	¥ 81,369	¥ 277,951	¥ 1,849	¥ 357,471
Thousands of U.S. dollars (Note 3)				
March 31, 2022	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	\$ 580,270	\$ 2,278,098	\$ 15,156	\$ 2,843,212
Others	86,689	189	-	86,878
Total	\$ 666,959	\$ 2,278,287	\$ 15,156	\$ 2,930,090
Millions of yen				
March 31, 2021	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Stocks	¥ 72,981	¥ 290,047	¥ 931	¥ 362,097
Others	10,363	19	-	10,382
Total	¥ 83,344	¥ 290,066	¥ 931	¥ 372,479

The proceeds from sales of available-for-sale securities for the years ended March 31, 2022 and 2021 were ¥14,740 million (\$120,820 thousand) and ¥5,423 million, respectively. The gross realized gains on these sales for the years ended March 31, 2022 and 2021 were ¥12,118 million (\$99,327 thousand) and ¥1,874 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2022 and 2021 were ¥175 million (\$1,434 thousand) and ¥4,878 million, respectively.

The acquisition cost is the amount after recognizing a loss on devaluation of investment securities. Loss on devaluation of investment securities for the years ended March 31, 2022 and 2021 was ¥742 million (\$6,082 thousand) and ¥2,905 million, respectively.

If the market value of the security declines by 50% or more from its acquisition cost as of the end of the fiscal year, a loss on devaluation of investment securities is recorded for the difference between the market value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, a loss on devaluation of investment securities for the amount deemed necessary is recorded considering its recoverability, etc.

The redemption schedules for securities with maturities at March 31, 2022 and 2021 were as follows:

Millions of yen			
March 31, 2022	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ -	¥ 331	¥ -
Others	10,000	-	-
	¥ 10,000	¥ 331	¥ -
Thousands of U.S. dollars (Note 3)			
March 31, 2022	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	\$ -	\$ 2,713	\$ -
Others	81,967	-	-
	\$ 81,967	\$ 2,713	\$ -
Millions of yen			
March 31, 2021	Due in one year or less	Due after one year through five years	Over five years
Corporate bonds	¥ -	¥ 331	¥ -
Others	10,000	-	-
	¥ 10,000	¥ 331	¥ -

6. Inventories

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

Millions of yen		Thousands of U.S. dollars (Note 3)	
	2022	2021	2022
Merchandise and finished products	¥ 80,385	¥ 75,540	\$ 658,894
Work in process	30,980	27,810	253,934
Raw materials and supplies	30,256	23,421	248,000
	¥ 141,621	¥ 126,771	\$ 1,160,828

7. Short-term Bank Loans and Long-term Debt

Short-term bank loans at March 31, 2022 and 2021 were represented by bank loans and bank overdrafts, etc., bearing interest at an average rate of 0.45% per annum for 2022 and 0.48% per annum for 2021.

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

Millions of yen		Thousands of U.S. dollars (Note 3)	
	2022	2021	2022
Unsecured debentures			
0.270~0.580% due 2028 and thereafter	¥ 100,000	¥ 100,000	\$ 819,672
0.180~0.290% due 2024	2,500	2,500	20,492
0.160~0.180% due 2023	1,050	1,050	8,607
0.100~0.376% due 2022	-	3,570	-
Collateralized loans, maturing 2023~2028	1,932	2,608	15,836
Unsecured loans, maturing 2023~2028	14,889	11,506	122,041
	120,371	121,234	986,648
Current portion of long-term debt	(3,617)	(6,115)	(29,648)
	¥ 116,754	¥ 115,119	\$ 957,000

Finance lease obligations at March 31, 2022 and 2021 that are included in other long-term liabilities consisted of the following:

Millions of yen		Thousands of U.S. dollars (Note 3)	
	2022	2021	2022
Finance lease obligations	¥ 8,313	¥ 8,928	\$ 68,139
Current portion of lease obligations	(3,169)	(3,059)	(25,975)
	¥ 5,144	¥ 5,869	\$ 42,164

The assets pledged as collateral for the Company and its consolidated subsidiaries' indebtedness, such as property, plant and equipment and other assets, were ¥7,063 million (\$57,893 thousand) and ¥7,194 million at March 31, 2022 and 2021, respectively.

Interest rates on collateralized loans ranged from 0.15% to 0.84% per annum for 2022 and from 0.15% to 0.84% per annum for 2021, while interest rates on unsecured loans ranged from 0.00% to 4.75% per annum for 2022 and from 0.00% to 4.75% per annum for 2021.

The aggregate annual maturities of long-term debt after March 31, 2022 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2023	¥ 3,617	\$ 29,648
2024	6,051	49,598
2025	2,256	18,492
2026	3,888	31,869
2027	4,508	36,951
2028 and thereafter	100,051	820,090
	¥ 120,371	\$ 986,648



The aggregate annual maturities of finance lease obligations after March 31, 2022 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2023	¥ 3,169	\$ 25,975
2024	1,927	15,795
2025	1,417	11,615
2026	831	6,812
2027	530	4,344
2028 and thereafter	439	3,598
	¥ 8,313	\$ 68,139

8. Retirement Benefits

The Company and its domestic consolidated subsidiaries have a lump-sum retirement plan, defined benefit corporate pension plan and defined contribution pension plan. In some cases, additional retirement benefits were paid when an employee retired. In addition, certain foreign subsidiaries have a defined benefit pension plan. Upon retirement or termination of employment for reasons other than the cause of dismissal, employees are entitled to lump-sum payments based on the current rate of pay, length of services and accumulated number of points determined based on the employment services.

Under the Defined Benefit Pension Plan Law, the Company established new defined benefit pension plans on March 1, 2005 under which most of the retirement benefit liability of the Company and some of its subsidiaries is covered by the employees' pension fund. The Company transferred part of the defined benefit pension plans to the defined contribution pension plans on October 1, 2021. In addition, the Company established retirement benefit trusts.

Of consolidated subsidiaries, 47 adopt a defined benefit corporate pension plan, 46 adopt a defined contribution pension plan, and 52 adopt a lump-sum retirement plan. Certain consolidated subsidiaries transferred part of the defined benefit pension plans to the defined contribution pension plans on October 1, 2021. Certain consolidated subsidiaries apply the simplified method for the calculation of net defined benefit liability and retirement benefit costs.

Reconciliation of the beginning and ending balance of the projected benefit obligation at March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Change in projected benefit obligation:			
Balance at the beginning of year	¥ 276,857	¥ 272,576	\$ 2,269,320
Service cost	12,055	13,496	98,811
Interest cost	1,258	1,318	10,311
Actuarial gain/loss	(3,160)	901	(25,902)
Benefits paid	(10,445)	(11,195)	(85,615)
Prior service cost	(6,435)	-	(52,746)
Change in scope of consolidation	-	1	-
Decrease associated with the transition to defined contribution pension plans	(47,798)	-	(391,787)
Other	274	(240)	2,247
Balance at the end of year	¥ 222,606	¥ 276,857	\$ 1,824,639

Reconciliation of the beginning and ending balance of the plan assets at March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Change in plan assets:			
Balance at the beginning of year	¥ 353,616	¥ 301,578	\$ 2,898,492
Expected return on plan assets	8,597	7,700	70,467
Actuarial gain/loss	7,596	43,948	62,262
Contributions by the employer	7,636	9,176	62,590
Benefits paid	(8,656)	(8,699)	(70,951)
Decrease associated with the transition to defined contribution pension plans	(36,171)	-	(296,484)
Other	230	(87)	1,886
Balance at the end of year	¥ 332,848	¥ 353,616	\$ 2,728,262

Reconciliation of the projected benefit obligation and plan assets to net defined benefit liability and asset recognized in the consolidated balance sheets as of March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Funded projected benefit obligation	¥ 166,729	¥ 241,787	\$ 1,366,631
Plan assets	(332,848)	(353,616)	(2,728,262)
	(166,119)	(111,829)	(1,361,631)
Unfunded projected benefit obligation	55,877	35,070	458,008
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (110,242)	¥ (76,759)	\$ (903,623)
Net defined benefit liability	55,889	35,175	458,107
Net defined benefit asset	(166,130)	(111,933)	(1,361,722)
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ (110,241)	¥ (76,758)	\$ (903,615)

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Service cost <sup>(*)</sup> ( <sup>(2)</sup> )	¥ 12,037	¥ 13,475	\$ 98,664
Interest cost	1,258	1,318	10,311
Expected return on plan assets	(8,597)	(7,700)	(70,467)
Actuarial gain/loss	(7,344)	1,155	(60,197)
Amortization of prior service cost	(647)	458	(5,303)
Net periodic benefit costs of the defined benefit plan	¥ (3,293)	¥ 8,706	\$ (26,992)

(\*) Employees' contribution to the corporate pension fund is deducted from "Service cost."

(<sup>(2)</sup>) Retirement benefit expenses booked by consolidated subsidiaries applying the simplified method are included in "Service cost."

(<sup>(3)</sup>) In addition to the retirement benefit costs listed above, additional retirement benefits were recognized as other expenses in the amount of ¥197 million (\$1,615 thousand) and ¥523 million for the year ended March 31, 2022 and 2021, respectively.

(<sup>(4)</sup>) Due to the Company and certain consolidated subsidiaries transferred part of the defined benefit pension plans to the defined contribution pension plans, retirement benefit plan revision gain was recorded as extraordinary gains in the amount of ¥18,534 million (\$151,918 thousand) for the year ended March 31, 2022.

Remeasurements of defined benefit plans, before income-tax effect, recorded under other comprehensive income (loss) for the years ended March 31, 2022 and 2021 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Actuarial gain/loss	¥ (3,607)	¥ 44,266	\$ (29,566)
Prior service cost	5,935	459	48,648
Total	¥ 2,328	¥ 44,725	\$ 19,082

Remeasurements of defined benefit plans, before income-tax effect, recorded under accumulated other comprehensive income at March 31, 2022 and 2021 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Unrecognized actuarial gain/loss	¥ 34,483	¥ 38,090	\$ 282,648
Unrecognized prior service cost	5,944	9	48,721
Total	¥ 40,427	¥ 38,099	\$ 331,369

The major categories of plan assets as of March 31, 2022 and 2021 were as follows:

	2022	2021
Bonds	16%	15%
Stocks	39%	37%
Alternative investments	39%	33%
Other	6%	15%
Total	100%	100%

(\*)1) The main plan assets in "Alternative investments" are hedge funds, multi-asset management, infrastructure funds, and investment in real estate.

(\*)2) The total amount of plan assets includes the retirement benefit trusts for a corporate pension fund representing 15% and 15% for the years ended March 31, 2022 and 2021, respectively.

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

	2022	2021
Discount rate	0.9%	0.7%
Long-term expected rate of return on plan assets	mainly 2.5%	mainly 2.5%

\* The discount rates are presented based on the weighted-average of multiple discount rates.

The amounts of required contribution to defined contribution plans for the Company and the consolidated subsidiaries were ¥1,500 million (\$12,295 thousand) and ¥371 million for the years ended March 31, 2022 and 2021, respectively.

9. Net Assets

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon a resolution at the stockholders' meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of directors is prescribed as one year rather than two years of normal term in its articles of incorporation, and the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. However, its articles of incorporation have not stipulated that the Board of Directors may declare dividends at any time during the fiscal year.

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

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

Cash dividends of ¥32.00 (\$0.26) per share, ¥8,610 million (\$70,574 thousand) in aggregate, were approved at the general stockholders' meeting held on June 29, 2022 with respect to the year ended March 31, 2022.

(b) Increases/decreases and transfer of common stock, reserve and surplus

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

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders that is determined by a specific formula.

Treasury stock increased by 4,811,444 shares, which is comprised of an increase of 11,806,600 shares due to purchase of treasury stock through a resolution of the Board of Directors' meeting, an increase of 4,997 shares due to purchase of odd shares, a decrease of 7,000,000 shares due to retirement of treasury stock, a decrease of 148 shares due to sales of odd shares, and a decrease of 5 shares through a decrease in the ratio of shareholding in an affiliated company accounted for under the equity method for the year ended March 31, 2022.

Under the Companies Act, stock acquisition rights are presented as a separate component of net assets.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights. At present, the Company has not issued such stock acquisition rights.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2022 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Trade receivables	¥ 9,152	¥ 7,834	\$ 75,016
Other current assets	207	339	1,697
Investment securities	62,494	60,019	512,245
Long-term loans receivable	1,396	1,464	11,443
Other investments	11,751	7,076	96,320
Trade payables	3,537	3,415	28,992
Accrued expenses	390	320	3,197
Other current liabilities	1,159	1,233	9,500
Other long-term liabilities	6	10	49

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Salaries and allowances	¥ 66,507	¥ 66,443	\$ 545,139
Accrued bonuses	7,423	7,145	60,844
Provision for retirement benefits	(1,524)	1,839	(12,492)
Depreciation	11,171	11,347	91,566
Research and development expenses	33,148	32,623	271,705
Others	109,415	107,988	896,844
	¥ 226,140	¥ 227,385	\$ 1,853,606

12. Other Income (Expenses)

The following types of income from non-consolidated subsidiaries and associated companies were included in other income (expenses).

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Contributions	¥ -	¥ 7	\$ -
Interest expense	0	-	0
Interest and dividends income	20	7	164
Rent income on facilities	53	53	434

13. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate.

The actual effective tax rate reflected in the accompanying consolidated statements of income differs from the normal effective statutory tax rate primarily due to the effect of permanently non-deductible expenses, current operating losses and different tax rates applicable to foreign subsidiaries, etc.

The following is a reconciliation of the difference between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2022 and 2021, respectively.

	2022	2021
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.1	2.1
Amortization of consolidation goodwill	(0.0)	0.3
Change in valuation allowance	(10.2)	8.7
Equity in earnings of affiliates	(2.1)	(4.4)
Per capita inhabitants' taxes	0.4	1.2
Tax credit	(0.4)	(0.8)
Tax rate differences in consolidated subsidiaries	0.5	1.1
Undistributed earnings of subsidiaries	0.3	0.5
Effective income tax rate change of subsidiaries	(0.1)	0.6
Other	0.6	0.2
Actual effective tax rate	20.8%	40.1%

Significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards	¥ 21,120	¥ 22,349	\$ 173,115
Net defined benefit liability	20,572	14,052	168,623
Repair reserve provisions	13,858	20,557	113,590
Impairment loss on fixed assets	12,505	16,542	102,500
Accrued bonuses	6,260	5,914	51,311
Loss on devaluation of available-for-sale securities	2,556	3,661	20,951
Loss on write-down of inventories	1,094	1,378	8,967
Accrued enterprise tax	1,044	413	8,557
Excess provision for doubtful receivables	772	647	6,328
Other	16,982	16,312	139,197
Total deferred tax assets	96,763	101,825	793,139
Valuation allowance for tax loss carryforwards <sup>(*)2</sup>	(16,292)	(21,327)	(133,541)
Valuation allowance for deductible temporary differences	(30,891)	(39,380)	(253,205)
Total valuation allowance <sup>(*)1</sup>	(47,183)	(60,707)	(386,746)
Total	¥ 49,580	¥ 41,118	\$ 406,393
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (83,897)	¥ (87,766)	\$ (687,680)
Net defined benefit asset	(50,836)	(34,252)	(416,689)
Undistributed earnings of subsidiaries	(3,258)	(3,503)	(26,705)
Reserve for special depreciation	(15)	(22)	(123)
Other	(2,079)	(1,595)	(17,041)
Total	¥ (140,085)	¥ (127,138)	\$ (1,148,238)
Net deferred tax assets (liabilities) :	¥ (90,505)	¥ (86,020)	\$ (741,845)

(\*)1 Valuation allowance decreased by ¥13,524 million (\$110,852 thousand). The main factor causing a change for tax loss carryforwards is the decrease due to a part of tax loss carryforwards can be scheduled.  
The main factor causing a change for temporary differences is the decrease in valuation allowance caused by reversal of a part of deductible temporary differences related to impairment loss on fixed assets.  
(\*)2 The amounts by the expiration period of tax loss carryforwards, related valuation allowance and the resulting deferred tax assets as of March 31, 2022 and 2021 were as follows:

	Millions of yen		
	Tax loss carryforwards <sup>(*)1</sup>	Valuation allowance	Deferred tax assets
March 31, 2022			
2023	¥ 990	¥ (772)	¥ 218
2024	1,985	(1,833)	152
2025	1,992	(1,849)	143
2026	962	(836)	126
2027	718	(528)	190
2028 and thereafter	14,473	(10,474)	3,999
Total	¥ 21,120	¥ (16,292)	<sup>(*)2</sup> ¥ 4,828

	Thousands of U.S. dollars (Note 3)		
	Tax loss carryforwards <sup>(*)1</sup>	Valuation allowance	Deferred tax assets
March 31, 2022			
2023	\$ 8,115	\$ (6,328)	\$ 1,787
2024	16,271	(15,025)	1,246
2025	16,328	(15,156)	1,172
2026	7,885	(6,852)	1,033
2027	5,885	(4,328)	1,557
2028 and thereafter	118,631	(85,852)	32,779
Total	\$ 173,115	\$ (133,541)	<sup>(*)2</sup> \$ 39,574

(\*)1 Tax loss carryforwards are the amounts obtained by multiplying by the normal effective statutory tax rate.  
(\*)2 For the tax loss carryforwards of ¥21,120 million (\$173,115 thousand) (the amount multiplied by the normal effective statutory tax rate), the Company recognized deferred tax assets of ¥4,828 million (\$39,574 thousand).  
Deferred tax assets of ¥4,828 million (\$39,574 thousand) above are recognized because part of the tax loss carryforwards recorded by the Company and consolidated subsidiaries are expected to be recoverable as a result of estimated taxable income in the future.

	Millions of yen		
	Tax loss carryforwards <sup>(*)1</sup>	Valuation allowance	Deferred tax assets
March 31, 2021			
2022	¥ 336	¥ (297)	¥ 39
2023	1,903	(1,881)	22
2024	1,689	(1,673)	16
2025	1,985	(1,939)	46
2026	1,402	(1,340)	62
2027 and thereafter	15,034	(14,197)	837
Total	¥ 22,349	¥ (21,327)	<sup>(*)2</sup> ¥ 1,022

(\*)1 Tax loss carryforwards are the amounts obtained by multiplying by the normal effective statutory tax rate.  
(\*)2 For the tax loss carryforwards of ¥22,349 million (the amount multiplied by the normal effective statutory tax rate), the Company recognized deferred tax assets of ¥1,022 million.  
Deferred tax assets of ¥1,022 million above are recognized mainly because part of the tax loss carryforwards recorded by the Company is expected to be recoverable as a result of estimated taxable income in the future.

14. Impairment Loss on Fixed Assets

Impairment loss on fixed assets for the year ended March 31, 2022 was as follows:

March 31, 2022				
Location	Purpose of use	Category	Millions of yen	Thousands of U.S. dollars (Note 3)
Kashiwa City, Chiba and others	Information system-related assets	Software and others	¥ 1,597	\$ 13,090
Kuki City, Saitama, Shiraoka City, Saitama and others	Publishing business related assets	Buildings and structures, machinery, software and others	1,479	12,123
Others	Business assets Idle assets	Buildings and structures, machinery and others	430	3,525

The Company and its consolidated subsidiaries reviewed the fixed assets for impairment for the year ended March 31, 2022. Fixed assets were, in principle, grouped at the business unit for impairment testing purposes. Idle assets were grouped in each asset.  
As a result, the difference between book values and recoverable amounts was recorded as "Impairment loss on fixed assets" in the amount of ¥3,506 million (\$28,738 thousand), which is comprised of buildings and structures of ¥508 million (\$4,164 thousand), machinery of ¥534 million (\$4,377 thousand), software of ¥1,894 million (\$15,525 thousand), and others of ¥570 million (\$4,672 thousand), for the year ended March 31, 2022.  
The recoverable amount of information system-related assets and publishing business-related assets has been measured at the value in use. And the amount was assessed at zero because future operating cash flows cannot be generated.  
The recoverable amount of other business assets has been measured at the value in use or the net selling value. The amount of assets which was measured at the value in use was assessed at zero because future operating cash flows cannot be generated. The amount of assets which was measured at the net selling value was calculated based on the estimated selling value, etc. The recoverable amount of idle assets has been measured at the value in net selling value which is evaluated based mainly on real estate appraisal values. The book values of the idle assets which were difficult to obtain selling values have been reduced to memorandum values.

15. Leases

Finance Leases  
Information concerning finance lease transactions has been omitted, due to the insignificance of such disclosure.

Operating Leases  
The amounts of outstanding future payments under non-cancelable operating leases as of March 31, 2022 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Future lease payments:			
One year or less	¥ 5,472	¥ 4,917	\$ 44,853
More than one year	8,435	6,994	69,139
	¥ 13,907	¥ 11,911	\$ 113,992

16. Financial Instruments

1. Management policy  
The Company and its consolidated subsidiaries manage surplus funds through financial assets that have high levels of safety, and raise funds through bank loans and bond issuances. The Company and its subsidiaries also utilize derivative financial instruments to hedge the risk of exchange rate fluctuations and do not enter into derivatives transactions for speculative purposes.  
The trade receivables are exposed to credit risk of customers and the Company and its subsidiaries minimize the credit risk in accordance with internal rules for customer credit management.  
Long-term investments are mainly equity securities. Market prices and the financial condition of issuers (business counterparties) of such investments are obtained on a regular basis.

Long-term investments are mainly equity securities. Market prices and the financial condition of issuers (business counterparties) of such investments are obtained on a regular basis.

2. Fair value of financial instruments  
Fair value and differences compared to the carrying amounts reported in the consolidated balance sheets as of March 31, 2022 and 2021 were as follows:

Millions of yen			
March 31, 2022	Carrying amounts	Fair value	Differences
Long-term investment securities	¥ 367,309	¥ 408,652	¥ 41,343
Assets	¥ 367,309	¥ 408,652	¥ 41,343
Long-term debts	¥ 120,372	¥ 117,850	¥ (2,522)
Liabilities	¥ 120,372	¥ 117,850	¥ (2,522)
Derivatives <sup>*2</sup>			
[1] Hedge accounting is not applied	¥ (1,419)	¥ (1,419)	¥ -
[2] Hedge accounting is applied	67	67	-
Total	¥ (1,352)	¥ (1,352)	¥ -

Thousands of U.S.dollars (Note 3)			
March 31, 2022	Carrying amounts	Fair value	Differences
Long-term investment securities	\$ 3,010,730	\$ 3,349,607	\$ 338,877
Assets	\$ 3,010,730	\$ 3,349,607	\$ 338,877
Long-term debts	\$ 986,656	\$ 965,984	\$ (20,672)
Liabilities	\$ 986,656	\$ 965,984	\$ (20,672)
Derivatives <sup>*2</sup>			
[1] Hedge accounting is not applied	\$ (11,631)	\$ (11,631)	\$ -
[2] Hedge accounting is applied	549	549	-
Total	\$ (11,082)	\$ (11,082)	\$ -

Millions of yen			
March 31, 2021	Carrying amounts	Fair value	Differences
Long-term investment securities	¥ 384,382	¥ 429,958	¥ 45,576
Assets	¥ 384,382	¥ 429,958	¥ 45,576
Long-term debts	¥ 121,234	¥ 120,145	¥ (1,089)
Liabilities	¥ 121,234	¥ 120,145	¥ (1,089)
Derivatives <sup>*2</sup>			
[1] Hedge accounting is not applied	¥ (844)	¥ (844)	¥ -
[2] Hedge accounting is applied	14	14	-
Total	¥ (830)	¥ (830)	¥ -

\*1. "Cash and deposits", "Trade receivables", "Short-term investment securities", "Trade payables" and "Short-term bank loans" are omitted since the fair values approximate their book values as they are cash or accounts settled in a short period of time.  
\*2. Derivative assets and liabilities are presented on a net basis.  
\*3. Equity securities, etc., that do not have a market price.

Millions of yen			Thousands of U.S. dollars (Note 3)
March 31, 2022	Carrying amounts		Carrying amounts
Unlisted equity securities	¥ 42,426		\$ 347,754
Others	530		4,344

The above instruments are not included in "Long-term investment securities".

Millions of yen	
March 31, 2021	Carrying amounts
Unlisted equity securities	¥ 38,100
Others	318

The above instruments are not included in "(1) Long-term investment securities" because there is no market value and it is extremely difficult to measure the fair value.

3. Fair value hierarchy levels  
Depending on observability and importance of inputs into the valuation techniques used in measurement, fair value of financial instruments are categorized into the following three levels;  
Level 1 : Fair value measured with quoted prices in active markets for identical assets or liabilities  
Level 2 : Fair value measured with inputs other than quoted prices categorized as level 1 that are observable for the asset or liability, either directly or indirectly  
Level 3 : Fair value measured with inputs not based on observable market data for the asset or liability  
If multiple inputs that give significant impact in measurement are used, the fair value hierarchy level will be the lowest priority level in each input.

The fair value hierarchy level of financial instruments reported at fair value in the consolidated balance sheets as of March 31, 2022 was as follows:

Millions of yen				
March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term investment securities				
Marketable available-for-sale securities				
Stocks	¥ 340,166	¥ -	¥ -	¥ 340,166
Others	-	31	-	31
Assets	¥ 340,166	¥ 31	¥ -	¥ 340,197
Derivative transactions				
Derivative liabilities	¥ -	¥ 1,352	¥ -	¥ 1,352
Liabilities	¥ -	¥ 1,352	¥ -	¥ 1,352

Thousands of U.S.dollars				
March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term investment securities				
Marketable available-for-sale securities				
Stocks	\$ 2,788,246	\$ -	\$ -	\$ 2,788,246
Others	-	254	-	254
Assets	\$ 2,788,246	\$ 254	\$ -	\$ 2,788,500
Derivative transactions				
Derivative liabilities	\$ -	\$ 11,082	\$ -	\$ 11,082
Liabilities	\$ -	\$ 11,082	\$ -	\$ 11,082

The fair value hierarchy level of financial instruments other than financial instruments reported at fair value in the consolidated balance sheets as of March 31, 2022 was as follows:

Millions of yen				
March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term investment securities				
Held-to-maturity debt securities	¥ -	¥ 300	¥ -	¥ 300
Affiliated company stocks	68,117	-	-	68,117
Assets	¥ 68,117	¥ 300	¥ -	¥ 68,417
Long-term debt	¥ -	¥ 117,850	¥ -	¥ 117,850
Liabilities	¥ -	¥ 117,850	¥ -	¥ 117,850

Thousands of U.S.dollars				
March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term investment securities				
Held-to-maturity debt securities	\$ -	\$ 2,459	\$ -	\$ 2,459
Affiliated company stocks	558,336	-	-	558,336
Assets	\$ 558,336	\$ 2,459	\$ -	\$ 560,795
Long-term debt	\$ -	\$ 965,984	\$ -	\$ 965,984
Liabilities	\$ -	\$ 965,984	\$ -	\$ 965,984

Note: The valuation techniques and inputs used in fair value measurement

Long-term investment securities  
The fair value of equity securities and debt securities are mainly measured at the quoted market price of the stock exchange. Equity securities are



categorized as level 1 of the fair value hierarchy because they are traded in active markets. Corporate bonds held by the Company and its consolidated subsidiaries are categorized as level 2, because they are not traded frequently in the market and are not considered as quoted prices in active markets.

Derivative transactions

The fair value of foreign currency forward contracts is measured by using the discounted cash flow method with observable inputs such as interest rates and exchange rates and they are categorized as level 2.

Long-term debts

The fair values of bonds issued by the Company and its subsidiaries are measured by using transaction reference statistics published by the Japan Securities Dealers Association, if available. The fair values of bonds without market price are measured at the present value of total principal and interest discounted by using a rate which reflects its remaining period and credit risk. Both they are each categorized as level 2.

The fair values of long-term debts are based on the present value of total principal and interest discounted by the current borrowing rate for a similar debt. They are categorized as level 2.

17. Derivative Financial Instruments

Nature of derivative financial instruments:

The Company and certain consolidated subsidiaries enter into derivatives for foreign currency forward contracts to manage the risk arising from fluctuations in foreign currency exchange rates. Derivatives related to currency are utilized to hedge foreign exchange risks associated with certain trade receivables, trade payables and other debts, including forecasted transactions, denominated in foreign currencies. The Company and its subsidiaries do not hold derivatives for speculative purposes.

Derivatives are subject to market risks and credit risks. Because the counterparties to those derivatives are limited to major international financial institutions, the Company and its subsidiaries do not anticipate any losses arising from credit risks. The Accounting Department controls and executes derivatives based on the internal policies of the Company.

Fair value of derivatives:

The contracted amount and fair value of derivatives at March 31, 2022 and 2021 were as follows:

Derivative transactions to which the Company and its subsidiaries did not apply hedge accounting

Millions of yen			
March 31, 2022	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 20,090	¥ (1,291)	¥ (1,291)
Euro	2,407	(128)	(128)
Payables:			
U.S. dollars	7	0	0
	¥ 22,504	¥ (1,419)	¥ (1,419)
Thousands of U.S. dollars (Note 3)			
March 31, 2022	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	\$ 164,672	\$ (10,582)	\$ (10,582)
Euro	19,730	(1,049)	(1,049)
Payables:			
U.S. dollars	57	0	0
	\$ 184,459	\$ (11,631)	\$ (11,631)
Millions of yen			
March 31, 2021	Contracted amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts			
Receivables:			
U.S. dollars	¥ 15,696	¥ (800)	¥ (800)
Euro	1,808	(44)	(44)
Payables:			
U.S. dollars	4	0	0
	¥ 17,508	¥ (844)	¥ (844)

Derivative transactions to which the Company and its subsidiaries applied hedge accounting

Millions of yen			
March 31, 2022	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Forecasted foreign currency transactions	¥ 63	¥ (2)
U.S. dollars	Trade receivables	419	-
Payables:			
U.S. dollars	Forecasted foreign currency transactions	2,162	69
U.S. dollars	Trade payables	823	-
Euro	Forecasted foreign currency transactions	66	(0)
Euro	Trade payables	0	-
Swiss franc	Forecasted foreign currency transactions	6	0
Sterling pound	Forecasted foreign currency transactions	36	0
		¥ 3,575	¥ 67
Thousands of U.S. dollars (Note 3)			
March 31, 2022	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Forecasted foreign currency transactions	\$ 516	\$ (16)
U.S. dollars	Trade receivables	3,434	-
Payables:			
U.S. dollars	Forecasted foreign currency transactions	17,721	565
U.S. dollars	Trade payables	6,746	-
Euro	Forecasted foreign currency transactions	542	(0)
Euro	Trade payables	0	-
Swiss franc	Forecasted foreign currency transactions	49	0
Sterling pound	Forecasted foreign currency transactions	295	0
		\$ 29,303	\$ 549
Millions of yen			
March 31, 2021	Hedged items	Contracted amount	Fair value
Foreign currency forward contracts			
Receivables:			
U.S. dollars	Forecasted foreign currency transactions	¥ 144	¥ (4)
U.S. dollars	Trade receivables	387	-
Payables:			
U.S. dollars	Forecasted foreign currency transactions	952	15
U.S. dollars	Trade payables	492	-
Euro	Forecasted foreign currency transactions	149	2
Euro	Trade payables	2	-
Swiss franc	Forecasted foreign currency transactions	3	(0)
Swiss franc	Trade payables	2	-
Sterling pound	Forecasted foreign currency transactions	52	1
		¥ 2,183	¥ 14

The fair values of foreign currency forward contracts subject to the alternative method are included in the fair values of trade receivables and trade payables as hedged items.

The fair value of derivatives is determined based on forward exchange rates or information provided by financial institutions at the end of the fiscal year.

18. Contingent Liabilities

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks. At March 31, 2022 and 2021, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥317 million (\$2,598 thousand) and ¥387 million, respectively.



19. Revenue recognition

Relations between satisfaction of performance obligations in contracts with customers and the cash flows, and the amount and timing of revenues to be recognized in the following years due to the contracts with customers as of the end of this fiscal year

(1) Balance of receivables from contracts with customers, contract assets and contract liabilities

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables from contracts with custmors (opening balances)	¥ 324,625	\$ 2,660,861
Receivables from contracts with custmors (closing balances)	324,548	2,660,230
Contract assets (opening balances)	265	2,172
Contract assets (closing balances)	298	2,443
Contract liabilities (opening balances)	12,824	105,115
Contract liabilities (closing balances)	13,288	108,918

Contract assets primarily relate to the Company and consolidated subsidiaries' rights to receive consideration for performance obligations that have been completed, but not yet billed for, as of the closing date. Contract assets are reclassified as receivables when the Company and consolidated subsidiaries' right to payment becomes unconditional.

Contract liabilities mainly relate to consideration received from customers before performance obligations based on contracts, which are reclassified as revenues when the Company and consolidated subsidiaries perform based on contracts with customers.Contract liabilities are included in other current liabilities and other long-term liabilities on the balance sheet.

There were no significant revenue amounts which were recognized in the current fiscal year that were included the opening balances of contract liabilities.

There were no significant revenue amounts which were recognized in the current fiscal year based on satisfaction of performance obligations in the past period (the transaction price changes etc.).

(2) Transaction price allocated to the remaining performance obligation

There are no material contracts with an expected term in excess of one year. Details of remaining performance obligations are not provided obeying the practical expedients.

20. Segment Information

Outline of reportable segments:

The Company and its consolidated subsidiaries' reportable segments are components of the group whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance, for which discrete financial information is available. The group's reportable segments consist of Information Communication, Lifestyle and Industrial Supplies, Electronics, and Beverages, based on a classification by commonality in manufacturing and marketing method of products.

"Information Communication" involves production and sale as follows:

Books including standard books, dictionaries, commemorative and memorial editions, all types of magazines including weekly, monthly and quarterly, corporate PR magazines, textbooks, e-books, catalogs, leaflets, brochures, calendars, posters, point-of-purchase (POP) materials, digital (electronic) signage, digital marketing support related to sales promotion materials and customer analysis, BPR consulting and BPO services related to corporate business processes and sales processes, data center operations, information processing services (IPS), business forms, securities and gift certificates, passbooks, smart cards, payment-related services, card-related equipment, IC tags, holograms, authentication and security services and related products, training and development of cybersecurity personnel, planning/development/production/construction/operations related to events/stores/products/contents, etc.

Dye-sublimation thermal transfer materials, (color ink ribbons and receiver paper), thermal resin-type transfer printing media (monochrome ink ribbons), photography-related materials and equipment, self-service printing business, ID photo business, e-book distribution and sales, book sales, library management, etc.

"Lifestyle & Industrial Supplies" involves production and sale as follows:

Various types of packaging materials for products such as foods, beverages, snacks, household items and medical supplies, cups, plastic bottles, laminated tubes, molded plastic containers, aseptic filling systems

Interior and exterior materials for homes, stores, offices, vehicles, home appliances, and furniture, etc., molded plastic parts for automobiles, metallic veneers

Lithium-ion battery components, photovoltaic module components, materials for transporting electronic components, multifunctional insulation box, etc.

"Electronics" involves production and sale as follows:

Optical film for displays, projection screens, metal masks used in the manufacturing organic EL displays, large photomasks for making liquid crystal displays, touch panel components, photomasks for semiconductor products, lead frames, LSI design, hard disk suspensions, electronic modules, MEMS (micro electro mechanical systems) products, etc.

"Beverages" involves production and sale as follows:

Carbonated beverages, coffee, tea and fruit juice beverages, functional beverages, mineral water, alcoholic beverages, etc.

Accounting policies and methods used at reportable segments are the same as those described in Note 2 Significant Accounting Policies. Profit or loss of reportable segments is equal to operating income on the consolidated statement of income. Intersegment sales and transfers are based on third-party transaction prices.

As explained in "Changes in accounting policies", we began to apply the Accounting Standard for Revenue Recognition, etc. as of the beginning of the fiscal year ended March 31, 2022. Because we changed our accounting method with respect to revenue recognition, we changed our method of calculating income or loss for each segment accordingly.

As a result of this change, net sales for the fiscal year ended March 31, 2022 from Information Communication decreased by ¥13,718 million compared to using the previous method, and the segment's income decreased by ¥180 million. Sales from Lifestyle and Industrial Supplies decreased by ¥5,014 million and the segment's income declined by ¥61 million. Electronics sales decreased by ¥7,304 million and the segment's income fell by ¥59 million. Beverages sales decreased by ¥2,297 million.

Information on sales and operating income, identifiable assets and other items by reportable segment and income analysis information

	Millions of yen						
	Reportable segments						
For 2022:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Adjustments <sup>(*)</sup>	Consolidated <sup>(*)</sup>
Net sales and operating income							
Net sales <sup>(*)</sup>							
Outside customers	¥ 696,911	¥ 386,448	¥ 211,094	¥ 49,694	¥ 1,344,147	¥ -	¥ 1,344,147
Intersegment	2,088	582	-	7	2,677	(2,677)	-
Total	698,999	387,030	211,094	49,701	1,346,824	(2,677)	1,344,147
Segment income	27,617	13,625	46,481	690	88,413	(21,624)	66,789
Segment assets	¥ 883,220	¥ 458,682	¥ 235,515	¥ 49,036	¥ 1,626,453	¥ 250,194	¥ 1,876,647
Others							
Depreciation and amortization	¥ 20,014	¥ 18,442	¥ 8,695	¥ 2,087	¥ 49,238	¥ 1,917	¥ 51,155
Amortization of goodwill	489	-	22	11	522	-	522
Impairment loss	3,088	158	-	2	3,248	258	3,506
Investments in equity method affiliates	2,580	620	24,082	-	27,282	43,192	70,474
Increase in property, plant and equipment and intangible assets	19,068	21,569	5,504	2,153	48,294	2,405	50,699

	Thousands of U.S. dollars (Note 3)						
	Reportable segments						
For 2022 :	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Adjustments <sup>(*)</sup>	Consolidated <sup>(*)</sup>
Net sales and operating income							
Net sales <sup>(*)</sup>							
Outside customers	\$ 5,712,385	\$ 3,167,606	\$ 1,730,279	\$ 407,328	\$ 11,017,598	\$ -	\$ 11,017,598
Intersegment	17,115	4,771	-	57	21,943	(21,943)	-
Total	5,729,500	3,172,377	1,730,279	407,385	11,039,541	(21,943)	11,017,598
Segment income	226,369	111,680	380,992	5,656	724,697	(177,246)	547,451
Segment assets	\$ 7,239,508	\$ 3,759,689	\$ 1,930,451	\$ 401,934	\$ 13,331,582	\$ 2,050,770	\$ 15,382,352
Others							
Depreciation and amortization	\$ 164,049	\$ 151,164	\$ 71,270	\$ 17,107	\$ 403,590	\$ 15,713	\$ 419,303
Amortization of goodwill	4,008	-	181	90	4,279	-	4,279
Impairment loss	25,312	1,295	-	16	26,623	2,115	28,738
Investments in equity method affiliates	21,148	5,082	197,393	-	223,623	354,033	577,656
Increase in property, plant and equipment and intangible assets	156,295	176,795	45,115	17,647	395,852	19,714	415,566

(\*)1) Adjustments are as follows:

(1) Adjustment of segment income consists of basic research expenses not attributable to reportable segments and research expenses shared by each reportable segment.

(2) Adjustment of segment assets consists of corporate assets not allocated to reportable segments and intersegment eliminations.

(3) Adjustment of impairment loss consists of impairment loss for corporate assets not allocated to reportable segments.

(4) Adjustment of investments in equity-method affiliates consists of the investments in equity-method affiliates not attributable to reportable segments.

(5) Adjustment of increases in property, plant and equipment and in intangible assets consists of capital investments mainly for the head office building.

(\*)2) Segment income is reconciled to operating income in the consolidated financial statements.

(\*)3) Sales include revenues generated from contracts with customers as well as other revenues, but because almost all revenues are generated from contracts with customers, the other revenues are insignificant and are therefore not displayed separately.

Information on sales and operating income, identifiable assets and other items by reportable segment

	Millions of yen						
	Reportable segments						
For 2021:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total	Adjustments <sup>(*)</sup>	Consolidated <sup>(*)</sup>
Net sales and operating income							
Net sales							
Outside customers	¥ 719,476	¥ 367,518	¥ 197,021	¥ 51,425	¥ 1,335,440	¥ -	¥ 1,335,440
Intersegment	2,339	489	-	18	2,846	(2,846)	-
Total	721,815	368,007	197,021	51,443	1,338,286	(2,846)	1,335,440
Segment income	19,186	13,965	36,690	840	70,681	(21,152)	49,529
Segment assets	¥ 898,781	¥ 443,376	¥ 212,456	¥ 49,013	¥ 1,603,626	¥ 221,393	¥ 1,825,019
Others							
Depreciation and amortization	¥ 20,101	¥ 16,518	¥ 9,416	¥ 2,891	¥ 48,926	¥ 1,967	¥ 50,893
Amortization of goodwill	382	607	-	5	994	-	994
Impairment loss	3,811	-	-	-	3,811	291	4,102
Investments in equity method affiliates	1,376	562	16,947	-	18,885	44,091	62,976
Increase in property, plant and equipment and intangible assets	26,067	30,025	11,988	1,931	70,011	1,638	71,649

(\*)1 Adjustments are as follows:  
(1) Adjustment of segment income consists of basic research expenses not attributable to reportable segments and research expenses shared by each reportable segment.  
(2) Adjustment of segment assets consists of corporate assets not allocated to reportable segments and intersegment eliminations.  
(3) Adjustment of impairment loss consists of impairment loss for corporate assets not allocated to reportable segments.  
(4) Adjustment of investments in equity-method affiliates consists of the investments in equity-method affiliates not attributable to reportable segments.  
(5) Adjustment of increases in property, plant and equipment and in intangible assets consists of capital investments mainly for the head office building.  
(\*)2 Segment income is reconciled to operating income in the consolidated financial statements.

Related information

Information by geographic area

	Millions of yen			
For 2022:	Japan	Asia	Other regions	Total
Net sales	¥ 1,053,913	¥ 218,894	¥ 71,340	¥ 1,344,147

	Thousands of U.S. dollars (Note 3)			
For 2022:	Japan	Asia	Other regions	Total
Net sales	\$ 8,638,631	\$ 1,794,213	\$ 584,754	\$ 11,017,598

	Millions of yen			
For 2021:	Japan	Asia	Other regions	Total
Net sales	¥ 1,089,609	¥ 183,929	¥ 61,902	¥ 1,335,440

Information about goodwill by reportable segments

	Millions of yen				
	Reportable segments				
For 2022:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total
Unamortized balance of goodwill	¥ 2,097	¥ -	¥ 203	¥ 18	¥ 2,318

	Thousands of U.S. dollars (Note 3)				
	Reportable segments				
For 2022:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total
Unamortized balance of goodwill	\$ 17,189	\$ -	\$ 1,663	\$ 148	\$ 19,000

	Millions of yen				
	Reportable segments				
For 2021:	Information Communication	Lifestyle and Industrial Supplies	Electronics	Beverages	Total
Unamortized balance of goodwill	¥ 2,415	¥ -	¥ 11	¥ -	¥ 2,426

(\*) The amount of amortization of goodwill is omitted as it is disclosed in "Segment Information".

To the Board of Directors of Dai Nippon Printing Co., Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dai Nippon Printing Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Reasonableness of estimate of reserve for repairs	
Key audit matter and the basis of our determination	How the matter was addressed in the audit
The Company recorded a reserve for repairs of 45,289 million yen in the consolidated balance sheets for the current fiscal year, and disclosures related to this reserve are made in Note 2 (Significant accounting estimates). The reserve for repairs is provided based on a reasonable estimate of the amount of repair costs that will be required in the future, by conducting scientific testing and analysis of defects for certain wallpaper products. The reasonable estimate is calculated based on the unit repair costs and the quantity of repairs. However, as a premise for the estimate calculation, the unit repair costs are subject to uncertainty in the accounting estimate because the repair amount varies depending on the	The primary procedures we performed to assess the reasonableness of the estimate of reserve for repairs included the following:  (1) Internal control testing We tested the design and operating effectiveness of internal controls relevant to the assumption of the estimate and underlying data.  (2) Assessment of the reasonableness of the assumption of the estimate of reserve for repairs. • We assessed the consistency of the prior period reserve for repairs with recent historical trends of repair costs, and determining the implications on the current



<p>construction status of the product, the type of residence, and other factors, as well as the labor and material costs associated with negotiating the estimate with the repair contractor.</p> <p>Moreover, the estimate of the quantity of repairs is also subject to uncertainty because the prediction of future defects involves important decisions by management in addition to the fact that it is difficult to specify the timing and quantity of repairs individually and concretely due to the commercial distribution of the products to be repaired, etc.</p> <p>Therefore, we determined that the reasonableness of the estimate of reserve for repairs was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>year assumptions.</p> <ul style="list-style-type: none"> <li>• We inquired of management about whether there were any new items that should be covered by reserve for repairs, and verified from the actual repair results whether there were any repair results for manufacturing lots that were not covered by reserve for repairs.</li> <li>• We assessed the reasonableness of the assumptions used by management by discussing with management the unit repair costs and quantity of repairs that form the basis for estimating the reserve for repairs, and by reviewing the consistency of the estimates with the evidence and repair data.</li> </ul>
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Reasonableness of management's judgement of recoverability of deferred tax assets	
Key audit matter and the basis of our determination	How the matter was addressed in the audit
<p>The Company recorded deferred tax assets of 11,770 million yen, and deferred tax liabilities of 102,275 million yen in the consolidated balance sheets for the current fiscal year. As described in Note 13 (Income Taxes), the amount of deferred tax assets before offsetting deferred tax liabilities is 49,580 million yen, which is the total amount of deferred tax assets related to future deductible temporary differences and tax loss carryforwards of 96,763 million yen less valuation allowance of 47,183 million yen, and the amount recorded in Dai Nippon Printing Co., Ltd., which accounts for the majority of deferred tax assets before offsetting, is particularly significant.</p> <p>The recoverability of deferred tax assets depends on the appropriateness of the classification of companies, the sufficiency of future taxable income, and the scheduling of the years in which future deductible temporary differences are expected to be reversed, as indicated in the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26), and these factors involve estimates in the form of management's forecasts and judgment.</p> <p>Therefore, we determined that the reasonableness of the management's judgement of valuation of deferred tax assets was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the management's estimate and judgement of recoverability of deferred tax assets included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of internal controls relevant to the judgement of recoverability of deferred tax assets, including assumptions about earnings forecasts.</p> <p>(2) Assessment of the reasonableness of the assumption of the recoverability of deferred tax assets</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of the classification of companies based on the "Implementation Guidance on Recoverability of Deferred Tax Assets."</li> <li>• We assessed consistency of the forecast, which was the premise for estimating future taxable income, with the future business plan approved by the board of directors.</li> <li>• We evaluated the degree of accuracy of estimation for the business plan prepared by the Company by comparing the business plans of prior periods with historical results.</li> <li>• We evaluated the degree of accuracy of the estimates by comparing the estimated future taxable income of prior periods with the historical results.</li> <li>• We discussed with management the</li> </ul>

	<p>projected values of the business plan, and confirmed their consistency with available market trends and order forecasts.</p> <ul style="list-style-type: none"> <li>• We assessed the reasonableness of the key assumptions used in the scheduling of future years in which the future deductible temporary differences are expected to be reversed by reviewing and cross-referencing relevant internal company documents and by asking questions.</li> </ul>
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### Other Information

The other information comprises the information contained in the disclosure documents including the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have not performed any work on the other information as we have determined that there is no other information.

### Responsibilities of Management, 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 appropriateness of using the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan as applicable.

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

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgement 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, select and perform the audit procedures based on the auditor's judgement and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are



appropriate in the circumstances when performing risk assessment procedures, while the objective of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.

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

We communicate with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board 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.

#### 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 3 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

#### 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.

渋谷 徳一

Norikazu Shibuya  
Designated Engagement Partner  
Certified Public Accountant

米倉 礼二

Reiji Yonekura  
Designated Engagement Partner  
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長崎 善道

Yoshimichi Nagasaki  
Designated Engagement Partner  
Certified Public Accountant

ARK LLC  
Tokyo, Japan  
June 29, 2022