Consolidated Financial Statements

NHK Spring Co., Ltd.
and Consolidated Subsidiaries

For the years ended March 31, 2021 and 2020
with Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
NHK Spring Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of NHK Spring Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Determination of impairment loss recognition on property, plant and equipment allocated to the automotive suspension springs business in the United States	
Description of Key Audit Matter	Auditor's Response
Property, plant and equipment in the amount of ¥175,667 million was recorded on the consolidated balance sheet as of March 31, 2021, which represented 31.32% of total assets.	We involved the component auditors and received their reports on the following audit procedures, among others and assessed whether sufficient and appropriate audit evidence was obtained on the estimated amount of aggregate undiscounted future cash flows used in determining the necessity of impairment loss recognition on property, plant and equipment of the automotive suspension springs business in the United States:

As described in the notes to the consolidated financial statements (Significant Accounting Estimates), the Company determined that there was an indication of impairment for the asset group corresponding to fixed assets of ¥10,524 million in its consolidated subsidiaries (NHK of America Suspension Components, Inc. and New Mather Metals, Inc.), which operate the automotive suspension springs business in the United States. These companies have continuously recorded operating losses due to changes in their business environment. Both companies adopt US GAAP, and as a result of the recoverability test, no impairment loss was recognized because the aggregate undiscounted future net cash flows of the asset group exceed their carrying amounts. Under the recoverability test, the undiscounted future cash flows are estimated based on the business plan approved by the Board of Directors, and the assumption that the projections in the final year of the business plan will continue thereafter at the same level since there is no reasonable expectation that automobile production in the United States will decrease significantly for the years subsequent to the years covered by the business plan. As described in the notes to the consolidated financial statements (Significant Accounting Estimates), significant assumptions in estimating the undiscounted future cash flows are sales volume and gross margin ratio, which serve as the basis of the business plan. Sales volume is based on the expected quantity of orders received from customers. Gross margin ratio is based on the cost of sales, including cost improvements planned for in the business plan. Given that the significant assumptions used to estimate the future cash flows are subject to uncertainty and require management's judgement, we determined impairment loss recognition of property, plant and equipment to be a key audit matter.	・ We compared the cash flow projection period with the remaining economic lives of major assets. ・ We evaluated the consistency of the estimated future cash flows with the business plan approved by the Board of Directors. ・ We compared the business plan for prior years with actual results to evaluate the effectiveness of management's estimation process. ・ In order to assess the rationality of sales volume, which is a significant assumption and serve as the basis of the business plan, we discussed with management and evaluated the consistency with information of the estimated production volume and orders received from customers. ・ Regarding gross margin ratio, in order to assess the rationality and feasibility of measures for cost improvements, we made inquiries with management about the details of the measures, and calculated the gross margin ratio using our own expectation of cost reduction, and compared the result with management's estimate. ・ In order to evaluate the rationality of the assumption that the sales volume and gross margin ratio would continue for the years subsequent to the years covered by the business plan, we compared it with available external information on market trends and performed a sensitivity analysis considering future fluctuation risks.

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

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

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

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2021

佐　野　康　一

Koichi Sano
Designated Engagement Partner
Certified Public Accountant

吉　岡　昌　樹

Masaki Yoshioka
Designated Engagement Partner
Certified Public Accountant

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

	At March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Assets			
Current assets:			
Cash and bank deposits *(Notes 5 and 19)*	¥ 79,331	¥ 74,593	$ 716,569
Notes and accounts receivable, trade *(Note 19)*	140,634	134,315	1,270,290
Allowance for doubtful notes and accounts	(193)	(136)	(1,744)
Inventories *(Note 6)*	54,818	54,786	495,150
Other current assets	19,971	20,865	180,386
Total current assets	294,561	284,423	2,660,651
Investments and long-term receivables:			
Investment securities *(Notes 9 and 19)*	47,504	34,928	429,089
Investments in unconsolidated subsidiaries and affiliated companies *(Note 19)*	13,869	13,186	125,276
Long-term loans receivable *(Note 19)*	2,938	2,761	26,540
Deferred tax assets *(Note 14)*	9,952	9,081	89,895
Net defined benefit asset *(Note 10)*	10,195	1,942	92,091
Other investments	4,172	3,857	37,669
Allowance for doubtful receivables	(1,121)	(1,053)	(10,126)
Total investments and long-term receivables	87,509	64,702	790,434
Property, plant and equipment:			
Buildings and structures	154,326	153,590	1,393,969
Machinery and transport equipment	277,127	261,246	2,503,182
Jigs, tools and equipment	80,470	77,905	726,855
Land	29,444	31,149	265,960
Construction in progress	13,999	19,944	126,438
	555,366	543,834	5,016,404
Less – Accumulated depreciation	(380,285)	(364,205)	(3,434,970)
Net property, plant and equipment	175,081	179,629	1,581,434
Intangible and other assets	3,618	3,861	32,691
Total assets *(Note 23)*	¥560,769	¥532,615	$ 5,065,210

	At March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Liabilities and net assets			
Current liabilities:			
Short-term borrowings *(Notes 11 and 19)*	¥ 26,037	¥ 3,420	$ 235,178
Current portion of long-term debt *(Notes 11,12 and 19)*	17,017	20,944	153,710
Notes and accounts payable, trade *(Note 19)*	113,670	116,880	1,026,734
Accrued expenses	21,974	20,889	198,479
Accrued income taxes *(Note 19)*	3,703	3,039	33,443
Allowance for directors bonuses	245	236	2,212
Other current liabilities *(Notes 12 and 19)*	12,029	13,491	108,671
Total current liabilities	194,675	178,899	1,758,427
Long-term liabilities:			
Long-term debt *(Notes 11 and 19)*	26,211	33,228	236,755
Net defined benefit liability *(Note 10)*	23,332	23,191	210,745
Accrued retirement benefits for directors and corporate auditors	630	615	5,695
Accrued retirement benefits to corporate officers	791	875	7,147
Deferred tax liabilities *(Note 14)*	9,838	3,812	88,861
Other long-term liabilities *(Notes 12 and 19)*	5,316	5,441	48,016
Total long-term liabilities	66,118	67,162	597,219
Guarantees and contingent liabilities *(Note 16)*			
Net assets:			
Shareholders' equity			
Common stock:			
Authorized: 600,000,000 shares			
Issued: 244,066,144 shares at March 31, 2021;			
244,066,144 shares at March 31, 2020	17,010	17,010	153,641
Capital surplus	19,580	19,579	176,855
Retained earnings *(Notes 15 and 23)*	234,114	227,062	2,114,659
Treasury stock	(14,296)	(8,868)	(129,124)
Total shareholders' equity	256,408	254,783	2,316,031
Accumulated other comprehensive income:			
Unrealized holding gain on securities	23,740	14,643	214,435
Translation adjustments	4,498	8,117	40,628
Retirement benefit liability adjustments *(Note 10)*	(652)	(6,555)	(5,891)
Total accumulated other comprehensive income	27,586	16,205	249,172
Non-controlling interests	15,982	15,566	144,361
Total net assets	299,976	286,554	2,709,564
Total liabilities and net assets	¥560,769	¥532,615	$ 5,065,210

The accompanying notes are an integral part of the financial statements.

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

	Years ended March 31, 2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Net sales *(Note 21)*	¥ 572,639	¥ 664,500	$ 5,172,424
Cost of sales *(Note 13)*	517,480	596,788	4,674,192
Gross profit	55,159	67,712	498,232
Selling, general and administrative expenses *(Note 13)*	44,695	46,997	403,717
Operating profit *(Note 21)*	10,464	20,715	94,515
Other income (expenses):			
Interest income	525	871	4,746
Dividend income	1,188	1,852	10,729
Gain on sales of fixed assets	206	284	1,863
Subsidy income	2,195	18	19,829
Gain on sales of investment securities	659	-	5,956
Real estate rent	885	619	7,991
Interest expenses	(334)	(304)	(3,015)
Loss on disaster	(2,294)	(7)	(20,723)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	982	984	8,872
Exchange gain (loss), net	1,229	(3,866)	11,103
Loss on impairment of long-lived assets *(Note 7)*	(434)	(4,687)	(3,916)
Loss on valuation of investment securities	-	(468)	-
Loss on valuation of shares of subsidiaries and affiliated companies *(Note 9)*	-	(694)	-
Loss on violation of antimonopoly laws *(Note 8)*	-	(3,203)	-
Other, net	(512)	100	(4,635)
	4,295	(8,501)	38,800
Profit before income taxes	14,759	12,214	133,315
Income taxes *(Note 14)*:			
Current	5,598	6,259	50,562
Deferred	(1,280)	87	(11,558)
	4,318	6,346	39,004
Profit	10,441	5,868	94,311
Profit attributable to non-controlling interests	1,044	1,256	9,434
Profit attributable to owners of parent	¥ 9,397	¥ 4,612	$ 84,877
	(Yen)		*(U.S. dollars)*
Earnings per share *(Notes 1 (19) and 15)*			
– Basic	¥ 40.45	¥ 19.46	$ 0.37
– Diluted	–	–	–
Cash dividends per share	17.00	17.00	0.15

Note: Diluted earnings per share is not presented for the years ended March 31, 2021 and 2020 because there were no dilutive securities.

The accompanying notes are an integral part of the financial statements.

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Years ended March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Profit	¥ 10,441	¥ 5,868	$ 94,311
Other comprehensive income *(Note 20)*:			
Unrealized holding gain (loss) on securities	9,122	(6,734)	82,399
Translation adjustments	(3,685)	2,955	(33,289)
Retirement benefit liability adjustments	5,928	(3,720)	53,550
Share of other comprehensive loss of affiliated companies accounted for by the equity method	(76)	(388)	(688)
Total other comprehensive income (loss)	11,289	(7,887)	101,972
Comprehensive income (loss)	¥ 21,730	¥ (2,019)	$ 196,283
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 20,777	¥ (3,229)	$ 187,671
Non-controlling interests	953	1,210	8,612

The accompanying notes are an integral part of the financial statements.

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balances as of April 1, 2020	¥17,010	¥19,579	¥227,062	¥(8,868)	¥254,783
Changes during the fiscal year:					
Dividends paid			(2,345)		(2,345)
Profit attributable to owners of parent			9,397		9,397
Purchase of treasury stock				(5,428)	(5,428)
Disposal of treasury stock		(0)		0	0
Change in ownership interest of parent arising from transactions with non-controlling shareholders		1			1
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	-	1	7,052	(5,428)	1,625
Balances as of March 31, 2021	¥17,010	¥19,580	¥234,114	¥(14,296)	¥256,408

	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
			(Millions of yen)			
Balances as of April 1, 2020	¥14,643	¥8,117	¥(6,555)	¥16,205	¥15,566	¥286,554
Changes during the fiscal year:						
Dividends paid						(2,345)
Profit attributable to owners of parent						9,397
Purchase of treasury stock						(5,428)
Disposal of treasury stock						0
Change in ownership interest of parent arising from transactions with non-controlling shareholders						1
Net changes of items other than shareholders' equity	9,097	(3,619)	5,903	11,381	416	11,797
Total changes during the fiscal year	9,097	(3,619)	5,903	11,381	416	13,422
Balances as of March 31, 2021	¥23,740	¥4,498	¥(652)	¥27,586	¥15,982	¥299,976

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balances as of April 1, 2019	¥17,010	¥19,579	¥228,016	¥(7,518)	¥257,087
Changes during the fiscal year:					
Dividends paid			(5,690)		(5,690)
Profit attributable to owners of parent			4,612		4,612
Change in scope of consolidation			124		124
Purchase of treasury stock				(1,350)	(1,350)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	–	(0)	(954)	(1,350)	(2,304)
Balances as of March 31, 2020	¥17,010	¥19,579	¥227,062	¥(8,868)	¥254,783

	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
			(Millions of yen)			
Balances as of April 1, 2019	¥21,350	¥5,625	¥(2,928)	¥24,047	¥14,927	¥296,061
Changes during the fiscal year:						
Dividends paid						(5,690)
Profit attributable to owners of parent						4,612
Change in scope of consolidation						124
Purchase of treasury stock						(1,350)
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	(6,707)	2,492	(3,627)	(7,842)	639	(7,203)
Total changes during the fiscal year	(6,707)	2,492	(3,627)	(7,842)	639	(9,507)
Balances as of March 31, 2020	¥14,643	¥8,117	¥(6,555)	¥16,205	¥15,566	¥286,554

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
Balances as of April 1, 2020	$153,641	$176,851	$2,050,964	$(80,104)	$2,301,352
Changes during the fiscal year:					
Dividends paid			(21,182)		(21,182)
Profit attributable to owners of parent			84,877		84,877
Purchase of treasury stock				(49,021)	(49,021)
Disposal of treasury stock		(0)		1	1
Change in ownership interest of parent arising from transactions with non-controlling shareholders		4			4
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	-	4	63,695	(49,020)	14,679
Balances as of March 31, 2021	$153,641	$176,855	$2,114,659	$(129,124)	$2,316,031

	Accumulated other comprehensive income					
	Unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)					
Balances as of April 1, 2020	$132,264	$73,327	$(59,213)	$146,378	$140,599	$2,588,329
Changes during the fiscal year:						
Dividends paid						(21,182)
Profit attributable to owners of parent						84,877
Purchase of treasury stock						(49,021)
Disposal of treasury stock						1
Change in ownership interest of parent arising from transactions with non-controlling shareholders						4
Net changes of items other than shareholders' equity	82,171	(32,699)	53,322	102,794	3,762	106,556
Total changes during the fiscal year	82,171	(32,699)	53,322	102,794	3,762	121,235
Balances as of March 31, 2021	$214,435	$40,628	$(5,891)	$249,172	$144,361	$2,709,564

The accompanying notes are an integral part of the financial statements.

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Years ended March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 4)*
Cash flows from operating activities:			
Profit before income taxes	¥ 14,759	¥ 12,214	$ 133,315
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	27,498	26,408	248,379
Increase in net defined benefit liability	864	507	7,800
Exchange (gain) loss	(206)	3,136	(1,857)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(982)	(984)	(8,872)
Loss on disposal of property, plant and equipment	191	45	1,722
Loss on impairment of long-lived assets	434	4,687	3,916
Gain on sales of investment securities	(659)	-	(5,956)
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	(7,030)	8,980	(63,503)
(Increase) decrease in inventories	(337)	348	(3,046)
Decrease in notes and accounts payable, trade	(2,599)	(13,604)	(23,474)
Other, net	(2,297)	(5,115)	(20,731)
Net cash provided by operating activities	29,636	36,622	267,693
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	1,970	1,393	17,796
Purchase of property, plant and equipment	(26,436)	(46,692)	(238,782)
Purchase of intangible assets	(479)	(728)	(4,325)
Purchase of investment securities	(22)	(22)	(201)
Proceeds from sales of investment securities	990	22	8,942
Increase in time deposits	(79)	(96)	(715)
Disbursements for loans receivable	(720)	(450)	(6,504)
Collection of loans receivable	481	596	4,347
Other, net	187	167	1,686
Net cash used in investing activities	(24,108)	(45,810)	(217,756)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	10,000	18,600	90,326
Repayment of long-term debt	(17,084)	(16,133)	(154,316)
Increase in short-term borrowings	22,622	1,168	204,332
Proceeds from commercial paper	8,000	28,000	72,261
Repayment of commercial paper	(12,000)	(30,000)	(108,391)
Redemption of convertible bond-type bonds with subscription rights to shares	-	(10,646)	-
Payment for purchase of treasury stock	(5,427)	(1,350)	(49,021)
Proceeds from sales of treasury stock	0	-	0
Cash dividends paid	(2,345)	(5,690)	(21,182)
Cash dividends paid to non-controlling shareholders	(531)	(572)	(4,797)
Other, net	(442)	(328)	(3,987)
Net cash provided by (used in) financing activities	2,793	(16,951)	25,225
Effect of exchange rate changes on cash and cash equivalents	(3,650)	993	(32,964)
Net increase (decrease) in cash and cash equivalents	4,671	(25,146)	42,198
Cash and cash equivalents at beginning of year	74,315	98,403	671,255
Increase in cash and cash equivalents resulting from subsidiaries newly included in consolidation	-	844	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	214	-
Cash and cash equivalents at end of year (*Note 5*)	¥ 78,986	¥ 74,315	$ 713,453
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ (356)	¥ (302)	$ (3,213)
Income taxes	(4,908)	(6,422)	(44,335)

The accompanying notes are an integral part of the financial statements.

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(1) Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements of NHK Spring Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Group") have been prepared by the Company in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"). The accounts of the Company and its consolidated subsidiaries in Japan are maintained in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and in conformity with generally accepted accounting principles and practices prevailing in Japan.

Foreign consolidated subsidiaries of the Company maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

(2) Scope of consolidation and application of equity method

The Company had 70 subsidiaries at March 31, 2021 (70 at March 31, 2020). The accompanying consolidated financial statements for the year ended March 31, 2021 include the accounts of the Company and its 39 significant subsidiaries (39 in 2020).

The accounts of the remaining 31 unconsolidated subsidiaries for the year ended March 31, 2021 (31 in 2020) were excluded from consolidation since the aggregate amounts of these subsidiaries' combined assets, net sales, profit and retained earnings were immaterial in relation to those of the consolidated financial statements of the Group.

1. Summary of Significant Accounting Policies (continued)

(2) Scope of consolidation and application of equity method (continued)

The Company had 11 (11 in 2020) affiliated companies at March 31, 2021. For the year ended March 31, 2021, the equity method has been applied to the investments in 4 of the major unconsolidated subsidiaries (4 in 2020) and 5 of the major affiliated companies (5 in 2020). The investments in the remaining unconsolidated subsidiaries and affiliated companies were stated at cost or less because they did not have a material effect on the consolidated financial statements.

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Group have been eliminated.

The difference between the cost of an investment in a consolidated subsidiary and the amount of the underlying equity in the net assets of the subsidiary is allocated to identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition.

Goodwill is amortized on a straight-line basis over a period within five years.

(3) Foreign currency translation

All asset and liability accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates prevailing at the year end. The components of net assets excluding non-controlling interests of foreign subsidiaries and affiliated companies are translated at historical rates. All income and expense accounts are translated at rates prevailing at the time of the transactions. The resulting translation differences are debited or credited to translation adjustments, or non-controlling interests in the consolidated balance sheets. Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the year end and the resulting gains and losses are included in profit or loss for the year.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(5) Inventories

Inventories are mainly stated at the lower of cost, determined by average cost, or market.

1. Summary of Significant Accounting Policies (continued)

(6) Investment securities

Available-for-sale securities categorized as “other securities” under applicable Japanese accounting standards for which market values are readily available are stated at fair market value at the balance sheet date, with unrealized gains or losses reported as a separate component of net assets, net of applicable income taxes. Available-for-sale securities for which market values are not readily available are stated at weighted average cost.

(7) Derivative financial instruments and hedge accounting

In accordance with applicable Japanese accounting standards, gains or losses arising from changes in the fair value of derivative financial instruments designated as “hedging instruments” are deferred as an asset or a liability until the gains or losses on the underlying hedged items or transactions are recognized.

In accordance with the exceptional treatment permitted under the Japanese accounting standard for foreign currency translation, the Company does not record certain forward foreign exchange contracts, currency swap contracts, foreign currency option contracts and certain foreign currency interest arrangements at market value but translates the underlying foreign currency denominated assets and liabilities hedged by derivative transactions into yen using the contractual rates under these arrangements, provided that such arrangements meet the hedging criteria specified under applicable Japanese accounting standards.

In addition, in accordance with the special treatment permitted under applicable Japanese accounting standards, the Company does not record certain interest-rate swap arrangements at market value but charges or credits net cash flows arising from the interest-rate swap arrangements, which satisfy the hedging criteria specified under the standard, to interest expenses arising from the hedged interest-bearing debt.

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

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the respective assets as prescribed by the Corporation Tax Act of Japan.

Buildings and structures at the Company’s headquarters are depreciated by the straight-line method.

The Company and its domestic consolidated subsidiaries compute depreciation for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 by the straight-line method.

The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gains or losses are reflected in income as incurred.

1. Summary of Significant Accounting Policies (continued)

(8) Property, plant and equipment (excluding leased assets) (continued)

Normal repairs and maintenance, including minor renewals and improvements, are charged to expenses as incurred.

(9) Intangible assets (excluding leased assets)

Intangible assets are amortized on a straight-line basis.

Expenditure related to computer software development for internal use is capitalized as an intangible asset and amortized on a straight-line basis over the estimated useful life (five years) of the software.

(10) Leases

Leased assets under finance lease contracts that transfer ownership to the lessee are depreciated by the same depreciation methods as applied to equivalent assets owned by the Group using the economic useful lives of the leased assets.

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated with the residual value of zero by the straight-line method using the terms of the contracts as the useful lives.

(11) Allowance for doubtful accounts

The Group provides an allowance for doubtful accounts at an amount calculated using a bad debt loss ratio primarily based on historical experience, plus the estimated uncollectible amount of individual receivables.

(12) Allowance for directors bonuses

Bonuses to directors are recorded on an accrual basis with a related charge to income.

(13) Retirement benefits for employees

The retirement benefit obligations for employees are attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Prior service costs are amortized as incurred by the straight-line method over a certain period (mainly 15 to 16 years), which is within the average remaining years of service of the eligible employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (10 to 16 years), which is within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries apply the simplified method where the amount required for voluntary early retirement at the fiscal year end is treated as retirement benefit obligations for calculating net defined benefit liability and retirement benefit expenses.

1. Summary of Significant Accounting Policies (continued)

(14) Accrued retirement benefits for directors and corporate auditors

As is customary practice in Japan, the Company and its domestic consolidated subsidiaries pay lump-sum retirement benefits to retiring directors or corporate auditors, the amounts of which are determined by internal rules. Although the payment of such retirement benefits is subject to approval by shareholders at the time of retirement/resignation, the Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all directors and corporate auditors at the year-end date.

(15) Accrued retirement benefits for corporate officers

The Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all corporate officers at the fiscal year end.

(16) Income taxes

The asset and liability method 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.

(17) Consumption taxes

In Japan, consumption taxes are imposed at rates of 8% or 10% on all domestic consumption of goods and services (with certain exceptions). Consumption taxes imposed on the Group’s domestic sales to customers are withheld by the Group at the time of sale and are paid to the national government subsequently. Consumption taxes withheld upon sale and consumption taxes paid by the Group on purchases of goods and services are not included in the related amounts in the accompanying consolidated statements of income.

(18) Reclassifications

Certain reclassifications have been made to the prior year’s consolidated financial statements in order to make them consistent with the current year’s presentation.

(19) Earnings per share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of the outstanding subscription rights to shares.

2. Significant Accounting Estimates

Determination of impairment loss recognition on property, plant and equipment allocated to the automotive suspension springs business in the United States

(1) Amount recorded in the consolidated financial statements for the year ended March 31, 2021

Impairment loss:	¥- million
Property, plant and equipment:	¥10,524 million ($95,062 thousand)

(2) Other information that contributes to the understanding of users of the consolidated financial statements

1) Method of calculation

The Company considered recording an impairment loss on fixed assets of its consolidated subsidiaries (NHK of America Suspension Components, Inc. and New Mather Metals, Inc.) which operate the automotive suspension springs business in the United States because these companies have continuously recorded operating losses due to changes in the business environment. As a result of the recoverability test, no impairment loss was recognized because the aggregate undiscounted future net cash flows of the asset group exceed their carrying amounts.

Both companies adopt US GAAP and the undiscounted future cash flows are estimated based on the business plan approved by the Board of Directors.

2) Key assumptions

The key assumptions used for the calculation of undiscounted future cash flows were sales volume and gross margin ratio in determining whether recognizing impairment loss is necessary.

Sales volume is based on the expected quantity of orders received from customers. Gross margin ratio is based on the cost of sales, including cost improvements, which is planned for in the business plan. Since there is no reasonable expectation that the automobile production in the United States will decrease significantly in or after the year following the target year of the business plan, it is assumed that the same level of sales volume and gross margin ratio will continue.

The accounting estimates used in preparation of the Company's consolidated financial statements for the year ended March 31, 2021 are based on the assumption that the effect of the COVID-19 pandemic will remain for a certain period in the year ending March 31, 2022, using information available as of March 31, 2021.

3) Effects on the consolidated financial statements in the year ending March 31, 2022

The key assumptions of sales volume and gross margin ratio could be affected by uncertain future economic conditions, such as the COVID-19 pandemic and a significant decrease of automobile production in the United States, and changes in the Company's business environment due to worsening competitive conditions and other factors. Due to such factors, the Company may recognize an impairment loss in and after the year ending March 31, 2022.

3. Accounting Standards Issued but Not Yet Effective

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, revised on March 31, 2020)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 26, 2021)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(1) Overview
The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly developed a comprehensive accounting standard for revenue recognition, and published "Revenue from Contracts with Customers" (IFRS 15 at IASB, Topic 606 at FASB) in May 2014. Given that IFRS 15 has become effective to fiscal years starting on or after January 1, 2018 and Topic 606 has become effective to fiscal years starting on or after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and published them together with implementation guidance.
The ASBJ's fundamental policies adopted for developing the "Accounting Standard for Revenue Recognition" are to establish an accounting standard with the incorporation of the basic principles of IFRS 15 as a starting point from the perspective of comparability between financial statements, which is one of the benefits of seeking consistency with IFRS 15, and to add alternative treatments if there are any matters in Japanese practices to the extent that comparability is not impaired.

(2) Expected date of adoption
The Company will adopt these standard and guidances from the beginning of the year ending March 31, 2022.

(3) Effects of adopting the standard and the guidance
The Company is currently evaluating the effects of adopting these standard and guidances on the consolidated financial statements.

4. United States Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and the notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥110.71 = U.S.$1, the approximate rate of exchange prevailing at March 31, 2021. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

5. Cash and Cash Equivalents

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

A reconciliation of cash and bank deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at March 31, 2021 and 2020 is as follows:

	At March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and bank deposits	¥ 79,331	¥ 74,593	$ 716,569
Bank deposits with maturity of over three months included in cash and bank deposits	(345)	(278)	(3,116)
Cash and cash equivalents	¥ 78,986	¥ 74,315	$ 713,453

6. Inventories

Inventories at March 31, 2021 and 2020 are as follows:

	At March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Merchandise and finished products	¥ 18,855	¥ 20,237	$ 170,310
Work in process	9,586	9,413	86,584
Raw materials and supplies	18,969	18,017	171,344
Other	7,408	7,119	66,912
Total	¥ 54,818	¥ 54,786	$ 495,150

7. Loss on Impairment of Long-Lived Assets

Year ended March 31, 2021

The Group has recorded impairment losses for the following assets.

2021				
Applications	**Location**	**Type**	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Production facilities	Kitakami, Iwate Prefecture	Machinery and transport equipment	¥ 25	$ 224
		Construction in progress	97	879
		Other	5	41
		Intangible assets	1	3
	Oshu, Iwate Prefecture	Machinery and transport equipment	11	99
		Construction in progress	8	76
		Other	0	2
		Intangible assets	3	26
	Mexico	Buildings and structures	67	608
		Machinery and transport equipment	217	1,958

7. Loss on Impairment of Long-Lived Assets (continued)

[Background of recognition of impairment losses]

The book value of the above production facilities was written down to the recoverable value and the difference was recorded as an impairment loss since recoverability of amounts invested is not expected due to declining profitability.

[Method of grouping assets]

Individual asset items have been grouped by considering management accounting category.

[Method of calculating recoverable value]

The recoverable value of the production facilities in Kitakami, Iwate Prefecture, and Oshu, Iwate Prefecture was determined as the net realizable value based on reasonable estimates using the real estate appraisal value and others.

The recoverable value of the production facilities in Mexico was determined as the value in use, which is calculated by discounting future cash flows at 7.9%.

7. Loss on Impairment of Long-Lived Assets (continued)

Year ended March 31, 2020

The Group has recorded impairment losses for the following assets.

		2020	
Applications	**Location**	**Type**	*(Millions of yen)*
Production facilities	Kitakami, Iwate Prefecture	Machinery and transport equipment	¥ 92
		Construction in progress	98
		Other	23
	Oshu, Iwate Prefecture	Machinery and transport equipment	32
		Construction in progress	33
		Other	12
	Kurashiki, Okayama Prefecture	Buildings and structures	74
		Machinery and transport equipment	431
		Construction in progress	10
		Other	114
		Intangible assets	13
	United States of America	Buildings and structures	701
		Machinery and transport equipment	1,772
		Construction in progress	130
		Other	50
	Mexico	Buildings and structures	140
		Machinery and transport equipment	909
		Other	25
		Intangible assets	7
Offices and warehouses	Aomori, Aomori Prefecture	Buildings and structures	2
	Akita, Akita Prefecture Kanazawa, Ishikawa Prefecture	Land	19

7. Loss on Impairment of Long-Lived Assets (continued)

[Background of recognition of impairment losses]

The book value of the above production facilities was written down to the recoverable value and the difference was recorded as an impairment loss since recoverability of amounts invested is not expected due to declining profitability.

The book value of the above offices and warehouses was written down to the selling value and the difference was recorded as an impairment loss since these assets are expected to be sold.

[Method of grouping assets]

Individual asset items have been grouped by considering management accounting category.

[Method of calculating recoverable value]

The recoverable value of the production facilities in Kitakami, Iwate Prefecture, Oshu, Iwate Prefecture, Kurashiki, Okayama Prefecture, the United States of America and Mexico was determined as the net realizable value based on reasonable estimates using the real estate appraisal value and others.

8. Loss on Violation of Antimonopoly Laws

The components of loss on violation of antimonopoly laws are as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Surcharge	¥ –	¥ 3,123	$ –
Lawyers' fees and others	–	80	–

In the year ended March 31, 2020, the Company and NHK International Corporation, a consolidated subsidiary in the United States, agreed with the United States Department of Justice to plead guilty and pay a criminal fine with regard to a violation of the United States Sherman Act (antitrust law) for manufacturing and sales of hard disk drive (HDD) suspensions. The United States Department of Justice filed a summary trial and a verdict was finalized for the trial. The payment of the fine was made accordingly.

The fine and other expenses including lawyers' fees to deal with investigations by the United States Department of Justice were recorded under other income (expenses) for the year ended March 31, 2020.

9. Investment Securities

The aggregate cost, fair value and net unrealized gains or losses of investment securities at March 31, 2021 and 2020 for which market value was readily available are summarized as follows:

Other securities with market value

	At March 31, 2021		
	Cost	Fair value (carrying amount)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥ 11,863	¥ 46,247	¥ 34,384
Securities whose fair value does not exceed their cost:			
Equity securities	340	277	(63)
Total	¥ 12,203	¥ 46,524	¥ 34,321

	At March 31, 2020		
	Cost	Fair value (carrying amount)	Unrealized gains (losses)
		(Millions of yen)	
Securities whose fair value exceeds their cost:			
Equity securities	¥ 9,316	¥ 31,389	¥ 22,073
Securities whose fair value does not exceed their cost:			
Equity securities	3,201	2,588	(613)
Total	¥ 12,517	¥ 33,977	¥ 21,460

9. Investment Securities (continued)

	At March 31, 2021		
	Cost	Fair value (carrying amount)	Unrealized gains (losses)
	(Thousands of U.S. dollars)		
Securities whose fair value exceeds their cost:			
Equity securities	$ 107,156	$ 417,733	$ 310,577
Securities whose fair value does not exceed their cost:			
Equity securities	3,072	2,501	(571)
Total	$ 110,228	$ 420,234	$ 310,006

(Note) Impairment is recognized in case the fair market value decreases by 50% or more compared with the acquisition cost, except if a recovery is expected. If the fair value decreases by 30% or more but less than 50%, the possibility of recovery is assessed. If the Company determines that there is no possibility of recovery, an impairment loss is recognized.

Other securities which were sold in the years ended March 31, 2021 and 2020 were as follows:

	2021		
	Amount of sale	Gain on sale	Loss on sale
	(Millions of yen)		
Equity securities	¥ 990	¥ 660	¥ –

	2020		
	Amount of sale	Gain on sale	Loss on sale
	(Millions of yen)		
Equity securities	¥ 22	¥ 9	¥ 3

	2021		
	Amount of sale	Gain on sale	Loss on sale
	(Thousands of U.S. dollars)		
Equity securities	$ 8,942	$ 5,958	$ –

There was no impairment loss recognized during the year ended March 31, 2021. Impairment losses of ¥694 million for shares of subsidiaries and affiliated companies and ¥468 million for other securities were recognized during the year ended March 31, 2020.

9. Investment Securities (continued)

The aggregate carrying amount of the securities for which market value was not readily available at March 31, 2021 and 2020 is summarized as follows:

	At March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Equity securities of non-listed companies	¥ 980	¥ 951	$ 8,855
	¥ 980	¥ 951	$ 8,855

10. Retirement Benefits for Employees

The Group has defined benefit plans and defined contribution plans such as corporate pension plans and lump-sum payment plans. The Group has primarily established cash balance plans, in which a hypothetical individual account is established for each participant. In addition to monthly contribution credits, interest credits based on market interest rates are also accumulated in the hypothetical individual accounts. Retirement benefit trusts are established for certain corporate pension plans and lump-sum payment plans.

Certain domestic consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses.

In addition to the above, certain domestic consolidated subsidiaries participate in multi-employer pension plans. These plans are accounted for in the same manner as a defined contribution plan when reasonable estimates for pension assets of the participating companies cannot be obtained.

10. Retirement Benefits for Employees (continued)

Defined Benefit Plans

(1) The reconciliation between retirement benefit obligations at the beginning of the year and the end of the year (excluding plans applying the simplified method) is as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligations at beginning of year	¥59,449	¥56,270	$ 536,979
Service costs	3,037	2,838	27,437
Interest costs	329	367	2,969
Actuarial gains or losses	(135)	1,370	(1,221)
Retirement benefits paid	(2,264)	(2,046)	(20,450)
Prior service costs	–	880	–
Other	(635)	(230)	(5,730)
Retirement benefit obligations at end of year	¥59,781	¥59,449	$ 539,984

(2) The reconciliation between plan assets at the beginning of the year and the end of the year (excluding plans applying the simplified method) is as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Plan assets at beginning of year	¥42,000	¥45,209	$ 379,367
Expected return on plan assets	1,185	1,213	10,708
Actuarial gains or losses	7,493	(4,128)	67,681
Contributions from employer	951	953	8,591
Retirement benefits paid	(1,157)	(1,171)	(10,455)
Other	72	(76)	655
Plan assets at end of year	¥50,544	¥42,000	$ 456,547

(3) The reconciliation between defined benefit liability of plans applying the simplified method at the beginning of the year and the end of the year is as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Defined benefit liability at beginning of year	¥ 3,800	¥ 3,664	$ 34,324
Retirement benefit expenses	535	487	4,831
Retirement benefits paid	(284)	(225)	(2,568)
Contribution to the plans	(152)	(126)	(1,370)
Defined benefit liability at end of year	¥ 3,899	¥ 3,800	$ 35,217

10. Retirement Benefits for Employees (continued)

(4) The reconciliation between retirement benefit obligations and plan assets at the end of the year and defined benefit liability and defined benefit asset on the consolidated balance sheets is as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligations	¥ 42,524	¥ 42,441	$ 384,104
Plan assets	(50,543)	(42,000)	(456,547)
	(8,019)	441	(72,443)
Unfunded retirement benefit obligations	21,156	20,808	191,097
Net defined benefit liability (asset) recorded on the consolidated balance sheets	¥ 13,137	¥ 21,249	$ 118,654
Net defined benefit liability	¥ 23,332	¥ 23,191	$ 210,745
Net defined benefit asset	(10,195)	(1,942)	(92,091)
Net defined benefit liability (asset) recorded on the consolidated balance sheets	¥ 13,137	¥ 21,249	$ 118,654

(Note) The amounts in above table include plans applying the simplified method.

(5) The breakdown of retirement benefit expenses for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service costs	¥ 3,038	¥ 2,838	$ 27,437
Interest costs	329	367	2,969
Expected return on plan assets	(1,185)	(1,213)	(10,708)
Amortization of actuarial gains or losses	687	364	6,210
Amortization of prior service costs	19	954	177
Retirement benefit expenses calculated using the simplified method	535	487	4,831
Retirement benefit expenses on defined benefit plans	¥ 3,423	¥ 3,797	$ 30,916

(6) The components of retirement benefit liability adjustments for the years ended March 31, 2021 and 2020 in other comprehensive income (before income tax effect) are as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service costs	¥ (20)	¥ (101)	$ (177)
Actuarial gains or losses	(8,450)	5,181	(76,326)
Total	¥ (8,470)	¥ 5,080	$ (76,503)

10. Retirement Benefits for Employees (continued)

(7) The components of retirement benefit liability adjustments as of March 31, 2021 and 2020 in accumulated other comprehensive income (before income tax effect) are as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service costs	¥ 157	¥ (545)	$ 1,412
Unrecognized actuarial gains or losses	816	9,988	7,373
Total	¥ 973	¥ 9,443	$ 8,785

(8) Plan assets

(i) Breakdown of plan assets

The percentages of various assets to total plan assets by major category as of March 31, 2021 and 2020 are as follows:

	2021	2020
Equity securities	53%	46%
Debt securities	24	27
General accounts	13	16
Other	9	11
Total	100%	100%

(Note) 39% and 36% of the total plan assets are held by retirement benefit trusts, which are established for corporate pension plans, as of March 31, 2021 and 2020, respectively.

(ii) Determination of long-term expected rate of return

The long-term expected rate of return on plan assets is determined based on the current and the expected allocation of plan assets and the current and the long-term expected rates of return from various assets constituting the plan assets.

(9) Actuarial assumptions

The major actuarial assumptions for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Discount rates		
Domestic plans	0.0 – 0.4%	0.0 – 0.3%
Foreign plans	1.9 – 7.3%	1.9 – 7.3%
Long-term expected rates of return on plan assets		
Domestic plans	1.6 – 3.0%	2.0 – 3.0%
Foreign plans	–	–

(Note) The benefit formula method is primarily applied (this does not reflect estimated future increases in points due to salary increases).

10. Retirement Benefits for Employees (continued)

Defined Contribution Plans

The required contributions to defined contribution plans of the Group, including multi-employer pension plans which are accounted for in the same manner as a defined contribution plan, were ¥1,522 million ($13,748 thousand) and ¥1,516 million for the years ended March 31, 2021 and 2020, respectively.

11. Short-Term Borrowings and Long-Term Debt

The components of short-term borrowings, long-term debt, other interest-bearing debt and lease obligations due within one year as of March 31, 2021 and 2020 are as follows:

	At March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Short-term borrowings:			
Loans from banks and other financial institutions with weighted average interest rates of 0.361% and 1.707% at March 31, 2021 and 2020, respectively	¥ 26,037	¥ 3,420	$ 235,178
Current portion of long-term loans from banks and other financial institutions	17,017	16,944	153,710
Other interest-bearing debt (commercial paper)	–	4,000	–
Current portion of lease obligations	342	404	3,089
	¥ 43,396	¥ 24,768	$ 391,977

11. Short-Term Borrowings and Long-Term Debt (continued)

Long-term debt and lease obligations

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

	At March 31,		
	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars)
Loans from banks and other financial institutions with weighted average interest rates of 0.239% and 0.255% at March 31, 2021 and 2020, respectively	¥ 43,228	¥ 50,172	$ 390,465
Lease obligations (excluding current portion)	467	548	4,221
	43,695	50,720	394,686
Less: current portion	(17,017)	(16,944)	(153,710)
	¥ 26,678	¥ 33,776	$ 240,976

The aggregate annual maturities of long-term debt at March 31, 2021 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2023	¥ 15,101	$ 136,403
2024	7,220	65,215
2025	2,890	26,104
2026 and thereafter	1,000	9,033
	¥ 26,211	$ 236,755

The year-by-year breakdown of lease obligations due as of March 31, 2021 is as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2023	¥ 243	$ 2,195
2024	132	1,194
2025	76	691
2026 and thereafter	16	141
	¥ 467	$ 4,221

12. Asset Retirement Obligations

(1) Summary of relevant asset retirement obligations

Asset retirement obligations include obligations associated with the removal of asbestos used in certain property, plant and equipment required under the "Ordinance on Prevention of Health Impairment due to Asbestos of Japan" at the time of their retirement and obligations associated with the duty to restore premises to their original condition at the time of vacating the property under real estate lease contracts for certain branches, offices and other locations.

(2) Calculation of the amount of relevant asset retirement obligations

Asset retirement obligations are calculated with the remaining useful lives of the relevant assets as the basis for the estimated period until expenditure and a discount rate of 2.1%.

(3) The changes in asset retirement obligations at March 31, 2021 and 2020 are as follows:

	At March 31,		
	2021	**2020**	**2021**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at beginning of year	¥ 605	¥ 569	$ 5,467
Increase due to change in estimates	18	106	161
Accretion expense	1	0	14
Decrease due to settlement of asset retirement obligations	(28)	(70)	(255)
Balance at end of year	¥ 596	¥ 605	$ 5,387

(4) Change in estimated amount of asset retirement obligations

During the years ended March 31, 2021 and 2020, the Company reviewed the expenditure amount expected to arise at the time of retirement of buildings and structures of consolidated subsidiaries. The Company obtained quotations and other new sources of information and consequently changed the estimated amount of the asset retirement obligations.

The effect of this change in estimates on profit or loss was immaterial.

13. Research and Development Expenses

Research and development expenses included in "Cost of sales" and "Selling, general and administrative expenses" amounted to ¥15,664 million ($141,487 thousand) and ¥18,407 million for the years ended March 31, 2021 and 2020, respectively.

14. Income Taxes

The statutory tax rate in Japan for the years ended March 31, 2021 and 2020 was 30.4%.

At March 31, 2021 and 2020, significant components of deferred tax assets and liabilities are summarized as follows:

	At March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Net defined benefit liability	¥ 6,398	¥ 7,394	$ 57,790
Tax loss carryforwards (Note)	8,230	4,706	74,342
Accrued expenses	4,373	3,649	39,495
Accumulated impairment losses	2,828	3,034	25,548
Accrued employees' bonuses	2,814	2,885	25,416
Depreciation	1,711	1,837	15,454
Loss from securities revaluation	911	919	8,231
Loss on valuation of inventories	535	807	4,833
Other	3,611	3,819	32,615
Total gross deferred tax assets	31,411	29,050	283,724
Less: Valuation allowance for tax loss carryforwards (Note)	(8,055)	(4,600)	(72,754)
Less: Valuation allowance for deductible temporary differences	(4,931)	(6,378)	(44,541)
Total valuation allowance	(12,986)	(10,978)	(117,295)
Total gross deferred tax assets	18,425	18,072	166,429
Offset against deferred tax liabilities	(8,473)	(8,991)	(76,534)
Net deferred tax assets	¥ 9,952	¥ 9,081	$ 89,895
Deferred tax liabilities:			
Unrealized holding gain on securities	¥(11,119)	¥ (7,353)	$(100,430)
Special tax purpose reserve	(2,159)	(2,748)	(19,500)
Other	(5,033)	(2,702)	(45,465)
Total deferred tax liabilities	¥(18,311)	¥(12,803)	$(165,395)
Offset against deferred tax assets	8,473	8,991	76,534
Net deferred tax liabilities	¥ (9,838)	¥ (3,812)	$ (88,861)

14. Income Taxes (continued)

(Note) The expiration of tax loss carryforwards and the resulting net deferred tax assets at March 31, 2021 and 2020 were as follows:

	At March 31, 2021 (Millions of yen)						
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carryforwards (*1)	¥ 221	¥ 79	¥ 347	¥ 867	¥ 390	¥ 6,326	¥ 8,230
Valuation allowance for tax loss carryforwards	(221)	(79)	(347)	(867)	(390)	(6,151)	(8,055)
Net deferred tax assets relating to tax loss carryforwards	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 175	¥ 175

	At March 31, 2020 (Millions of yen)						
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carryforwards (*1)	¥ 100	¥ 193	¥ 18	¥ 25	¥ 241	¥ 4,129	¥ 4,706
Valuation allowance for tax loss carryforwards	(100)	(193)	(18)	(25)	(241)	(4,023)	(4,600)
Net deferred tax assets relating to tax loss carryforwards	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 106	¥ 106

	At March 31, 2021 (Thousands of U.S. dollars)						
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years	Total
Tax loss carryforwards (*1)	$ 1,997	$ 717	$ 3,131	$ 7,835	$ 3,525	$57,137	$74,342
Valuation allowance for tax loss carryforwards	(1,997)	(717)	(3,131)	(7,835)	(3,525)	(55,549)	(72,754)
Net deferred tax assets relating to tax loss carryforwards	$ –	$ –	$ –	$ –	$ –	$ 1,588	$ 1,588

(*1) Tax loss carryforwards were calculated by applying the statutory tax rate.

14. Income Taxes (continued)

At March 31, 2021 and 2020, reconciliations of the statutory tax rate and the effective tax rate were as follows:

	2021	2020
Statutory tax rate	30.4%	30.4%
Different tax rates applied to subsidiaries	(0.3)	0.8
Loss on violation of antimonopoly laws	–	7.8
Permanent differences	(11.1)	(6.7)
Dividend income from the consolidated subsidiaries	14.2	11.8
Special deduction for research and development expenses	(3.3)	(3.6)
Investment tax credit	(3.5)	(1.4)
Difference in valuation allowances	6.4	13.1
Foreign tax credit	(0.8)	(0.4)
Other	(2.8)	0.1
Effective income tax rate	29.2%	51.9%

15. Distributions of Retained Earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period or by resolution of the Board of Directors if certain conditions are met. The accounts for that period do not, therefore, reflect such distributions.

16. Guarantees and Contingent Liabilities

As of March 31, 2021 and 2020, the Group had the following guarantees:

	At March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Borrowings from financial institutions by unconsolidated subsidiaries and affiliated subsidiaries, affiliated companies and employees	¥ 1,060	¥ 1,111	$ 9,578

17. Leases

Finance lease transactions are depreciated by the straight-line method using the lease term as the useful life and a residual value of zero.

Non-cancellable operating lease commitments are as follows:

	At March 31,		
	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Due within one year	¥ 335	¥ 258	$ 3,025
Due over one year	424	591	3,830
Total	¥ 759	¥ 849	$ 6,855

18. Derivative Financial Instruments

In the normal course of business, the Group utilizes derivative financial instruments, including forward foreign exchange contracts, currency swap contracts, foreign currency options and foreign currency swap contracts, to manage its exposure to adverse fluctuations in foreign exchange rates relating to receivables, payables and short/long-term debt denominated in foreign currencies. In addition, the Group uses interest-rate swap contracts to limit its exposure to losses in relation to short-term investments and debt with floating interest rates, resulting from adverse fluctuations in interest rates. The Group does not use derivatives for speculative or trading purposes.

[Derivatives not meeting the criteria for hedge accounting]

The contract amount (notional principal amount), estimated fair value of, and unrealized gain on, the outstanding contracts at March 31, 2021 and 2020 are summarized as follows:

	At March 31, 2021			
	Contract amount (notional principal amount)			
	Total	Over one year	Fair value	Unrealized gain
	(Millions of yen)			
Currency swap contracts:				
To receive Mexican peso/ to pay Japanese yen	¥ 777	¥ 777	¥ 64	¥ 64

18. Derivative Financial Instruments (continued)

	At March 31, 2020			
	Contract amount (notional principal amount)			
	Total	Over one year	Fair value	Unrealized gain
	(Millions of yen)			
Currency swap contracts:				
To receive Mexican peso/ to pay Japanese yen	¥ 777	¥ 777	¥ 169	¥ 169

	At March 31, 2021			
	Contract amount (notional principal amount)			
	Total	Over one year	Fair value	Unrealized gain
	(Thousands of U.S. dollars)			
Currency swap contracts:				
To receive Mexican peso/ to pay Japanese yen	$ 7,017	$ 7,017	$ 579	$ 579

(Note 1) Fair value is measured based on quotes and others provided by financial institutions and others.

(Note 2) The above currency swap contracts are accounted for as derivatives meeting the criteria for hedge accounting with loans to consolidated subsidiaries as a hedged item on the non-consolidated financial statements of the Company. The above currency swap contracts became subject to the disclosure since loans to consolidated subsidiaries were eliminated on the consolidated financial statements and the hedge accounting is no longer to be applied.

[Derivatives meeting the criteria for hedge accounting]

The contract amount (notional principal amount) and estimated fair value of the outstanding contracts at March 31, 2021 and 2020 are summarized as follows:

	At March 31, 2021			
		Contract amount (notional principal amount)		
	Hedged items	Total	Over one year	Fair value
	(Millions of yen)			
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	¥ 9,200	¥ 6,000	(Note)

18. Derivative Financial Instruments (continued)

	At March 31, 2020			
		Contract amount (notional principal amount)		
	Hedged items	Total	Over one year	Fair value
		(Millions of yen)		
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	¥ 13,170	¥ 9,200	(Note)

	At March 31, 2021			
		Contract amount (notional principal amount)		
	Hedged items	Total	Over one year	Fair value
		(Thousands of U.S. dollars)		
Interest rate swap contracts:				
To receive floating/ to pay fixed	Long-term debt	$ 83,100	$ 54,196	(Note)

(Note) The fair values of interest rate swap contracts meeting certain conditions for hedge accounting are included in that of the corresponding long-term debt because interest rate swap contracts are treated together with the long-term debt as the hedged item.

19. Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group invests only in short-term bank deposits and obtains financing through borrowings from banks or the issuance of bonds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described herein.

(2) Type of financial instruments and related risk

Receivables such as notes and accounts receivable, trade are exposed to customer credit risk. Receivables denominated in foreign currencies arising from global business transactions are exposed to foreign currency exchange fluctuation risk; however, the risk associated with principal export transactions is constantly maintained within the limits established based on historical experience and the exposures are hedged by forward exchange rate contracts. Equity investments are exposed to the risk of market price fluctuations; nevertheless, they mainly consist of equity of companies with which the Company has business relationships, and their fair values are evaluated quarterly and reported to the Board of Directors. Payment terms of payables, such as notes and accounts payable, trade are mostly less than one year. Although payables in foreign currencies are exposed to foreign currency exchange fluctuation risk, those risks are constantly netted against the balance of receivables denominated in the same foreign currency. Borrowings and commercial papers are used to raise necessary funds for working capital and capital expenditures. Although some borrowings with floating interest rates are exposed to interest rate fluctuation risk, such exposure is hedged by using derivatives (interest rate swaps).

(3) Risk management for financial instruments

1) Monitoring of credit risk (the risk that customer or counterparties may default)

The Group monitors payment terms and the balances of receivables by individual customer in accordance with internal rules on management of accounts receivable and has a system to periodically assess the credit risk of the customers.

2) Monitoring of market risks (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Group mitigates foreign currency exchange fluctuation risks in connection with receivables and short/long-term debt denominated in foreign currencies by using exchange rate contracts for a certain proportion of such receivables and debt. In addition, the Company uses interest rate swap contracts for long-term debt to fix interest payments on borrowings with floating interest rates; therefore, there is no interest rate fluctuation risk exposure for interest payments on long-term debt.

19. Financial Instruments (continued)

(3) Risk management for financial instruments (continued)

3) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages liquidity risk by timely making projection and revision of cash flow plans by the department in charge of finance based on reports from each relevant department.

(4) Supplementary explanation of estimated fair value of financial instruments

Not applicable

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2021 and 2020 are as follows:

	At March 31, 2021		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**
		(Millions of yen)	
(1) Cash and bank deposits	¥ 79,331	¥ 79,331	¥ –
(2) Notes and accounts receivable, trade	140,634	140,634	–
(3) Investment securities			
Other securities	46,524	46,524	–
(4) Long-term loans receivable	2,938	2,979	41
Total assets	¥ 269,427	¥ 269,468	¥ 41
(1) Notes and accounts payable, trade	¥ 113,670	¥ 113,670	¥ –
(2) Short-term borrowings	26,037	26,037	–
(3) Current portion of long-term debt	17,017	17,017	–
(4) Accrued income taxes	3,703	3,703	–
(5) Notes payable-facilities	2,558	2,558	–
(6) Long-term debt	26,211	26,164	(47)
(7) Long-term lease obligations	467	465	(2)
Total liabilities	¥ 189,663	¥ 189,614	¥ (49)
Derivative financial instruments	¥ 64	¥ 64	¥ –

19. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

	At March 31, 2020		
	Carrying amount	Fair value	Unrealized gain (loss)
	(Millions of yen)		
(1) Cash and bank deposits	¥ 74,593	¥ 74,593	¥ –
(2) Notes and accounts receivable, trade	134,315	134,315	–
(3) Investment securities			
Other securities	33,977	33,977	–
(4) Long-term loans receivable	2,761	2,835	74
Total assets	¥ 245,646	¥ 245,720	¥ 74
(1) Notes and accounts payable, trade	¥ 116,880	¥ 116,880	¥ –
(2) Short-term borrowings	3,420	3,420	–
(3) Current portion of long-term debt	20,944	20,944	–
(4) Accrued income taxes	3,039	3,039	–
(5) Notes payable-facilities	3,380	3,380	–
(6) Long-term debt	33,228	33,199	(29)
(7) Long-term lease obligations	548	545	(3)
Total liabilities	¥ 181,439	¥ 181,407	¥ (32)
Derivative financial instruments	¥ 169	¥ 169	¥ –

	At March 31, 2021		
	Carrying amount	Fair value	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
(1) Cash and bank deposits	$ 716,569	$ 716,569	$ –
(2) Notes and accounts receivable, trade	1,270,290	1,270,290	–
(3) Investment securities			
Other securities	420,234	420,234	–
(4) Long-term loans receivable	26,539	26,911	372
Total assets	$ 2,433,632	$ 2,434,004	$ 372
(1) Notes and accounts payable, trade	$ 1,026,734	$ 1,026,734	$ –
(2) Short-term borrowings	235,178	235,178	–
(3) Current portion of long-term debt	153,710	153,710	–
(4) Accrued income taxes	33,443	33,443	–
(5) Notes payable-facilities	23,103	23,103	–
(6) Long-term debt	236,755	236,330	(425)
(7) Long-term lease obligations	4,221	4,205	(16)
Total liabilities	$ 1,713,144	$ 1,712,703	$ (441)
Derivative financial instruments	$ 579	$ 579	$ –

19. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

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

Assets:

(1) Cash and bank deposits and (2) Notes and accounts receivable, trade

These assets are recorded using book values because fair values approximate book values due to their short-term maturities.

(3) Investment securities

The fair values of equity securities are determined using the quoted price at the stock exchange, and those of debt securities are determined using the quoted price obtained from the financial institutions.

Please see Note 9 "Investment Securities" for information on securities by holding purpose.

(4) Long-term loans receivable

The fair values of long-term loans receivable are determined by the present value, calculated based on the estimated amount of principal and interest receivable, reflecting the collectability and discounted using the interest rate of Japanese government bonds with the corresponding maturities.

Liabilities

(1) Notes and accounts payable, trade, (2) Short-term borrowings, (3) Current portion of long-term debt, (4) Accrued income taxes, and (5) Note payable-facilities

These payables are recorded using book values because fair values approximate book values due to their short-term maturities.

(6) Long-term debt and (7) Long-term lease obligations

The fair values of long-term debt and lease obligations are determined by discounting the aggregated values of the principal and interest using an assumed interest rate applied in case the same type of loans or leases should be newly made. Long-term debt with floating interest rates is hedged by interest rate swap contracts meeting certain conditions for hedge accounting, and the fair values are determined by discounting the aggregated values of the principal and interest accounted for together with the related interest rate swap contracts using the reasonably estimated interest rate to be applied when the same types of loans are newly made.

Derivative financial instruments:

Please see the Note 18 "Derivative Financial Instruments."

19. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Equity investments of unlisted subsidiaries and affiliated companies	¥ 8,252	¥7,925	$ 74,537
Other unlisted equity securities	980	951	8,855

The items above are not included in "(3) Investment securities" because there is no market price and it is very difficult to determine their fair values.

(Note 3) Redemption schedule of monetary assets and investment securities with contractual maturities as of March 31, 2021

	(Millions of yen)			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and bank deposits	¥ 79,331	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	140,634	–	–	–
Long-term loans receivable	–	2,721	185	32
Total	¥ 219,965	¥ 2,721	¥ 185	¥ 32

	(Thousands of U.S. dollars)			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and bank deposits	$ 716,569	$ –	$ –	$ –
Notes and accounts receivable, trade	1,270,290	–	–	–
Long-term loans receivable	–	24,580	1,674	285
Total	$1,986,859	$ 24,580	$ 1,674	$ 285

19. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

(Note 4) Redemption schedule of short-term borrowings, long-term debt and long-term lease obligations as of March 31, 2021

	(Millions of yen)					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	¥ 26,037	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term debt	17,017	15,101	7,220	2,890	1,000	–
Long-term lease obligations	–	243	132	77	15	0
Total	¥ 43,054	¥ 15,344	¥ 7,352	¥ 2,967	¥ 1,015	¥ 0

	(Thousands of U.S. dollars)					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term borrowings	$235,178	$ –	$ –	$ –	$ –	$ –
Long-term debt	153,710	136,403	65,215	26,104	9,033	–
Long-term lease obligations	–	2,195	1,193	691	140	2
Total	$388,888	$138,598	$ 66,408	$ 26,795	$ 9,173	$ 2

20. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020	2021
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain (loss) on securities:			
Amount arising during year	¥ 13,551	¥ (10,129)	$ 122,400
Reclassification adjustments	(659)	462	(5,956)
Amount before the adjustment of tax effect	12,892	(9,667)	116,444
Tax effect	(3,770)	2,933	(34,045)
Unrealized holding gain (loss) on securities	9,122	(6,734)	82,399
Translation adjustments:			
Amount arising during year	(3,685)	2,955	(33,289)
Retirement benefit liability adjustments:			
Amount arising during year	7,627	(5,496)	68,889
Reclassification adjustments	843	414	7,614
Amount before the adjustment of tax effect	8,470	(5,082)	76,503
Tax effect	(2,542)	1,362	(22,953)
Retirement benefit liability adjustments	5,928	(3,720)	53,550
Share of other comprehensive loss of affiliated companies accounted for by the equity method:			
Amount arising during year	(76)	(388)	(688)
Total other comprehensive income (loss)	¥ 11,289	¥ (7,887)	$ 101,972

21. Segment Information

(1) Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about allocation of management resources and to assess performance.

The Company operates principally in four industrial segments: automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others based on manufacturing divisions of the Company. The main products of each segment are as follows:

Automotive suspension springs:	Coil springs, leaf springs, stabilizer bars, accumulators, torsion bars, stabilizer links, stabilinker and others
Automotive seating:	Seats, mechanical seating components, trim parts and others
Precision springs and components:	HDD suspensions and mechanical components, wire springs, flat springs, motor cores, LCD/semiconductor testing probe units, fastener (screw), precision machine components and others
Industrial machinery and equipment, and others:	Semiconductor processing products, ceramic products, spring mechanisms, pipe support systems, polyurethane products, metal substrates, automatic parking systems, security products, lighting equipment, golf club shafts and others

(2) Calculation method of net sales, income, assets and other items by reportable segment

The accounting treatments for reportable segments are consistent with those described in Note 1. Summary of Significant Accounting Policies. Segment income is based on operating profit.

21. Segment Information (continued)

(3) Net sales, income, assets and other items by reportable segment

	Year ended March 31, 2021						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
	(Millions of yen)						
Sales:							
Sales to external customers	¥102,071	¥242,515	¥138,530	¥ 89,523	¥572,639	¥ –	¥ 572,639
Inter-segment sales	1,425	64	1,538	9,423	12,450	(12,450)	–
Net sales	¥103,496	¥242,579	¥140,068	¥ 98,946	¥585,089	¥ (12,450)	¥ 572,639
Segment income (loss)	¥ (4,687)	¥ 1,973	¥ 6,833	¥ 6,345	¥ 10,464	¥ –	¥ 10,464
Segment assets	¥119,741	¥121,747	¥131,831	¥ 85,039	¥458,358	¥102,411	¥ 560,769
Other items:							
Depreciation and amortization	¥ 5,949	¥ 5,134	¥ 10,970	¥ 3,756	¥ 25,809	¥ 1,689	¥ 27,498
Investments in affiliated companies accounted for by the equity-method	2,038	3,086	1,779	1,161	8,064	–	8,064
Increase in property, plant and equipment and intangible and other assets	4,959	6,270	10,511	2,471	24,211	771	24,982

	Year ended March 31, 2020						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
	(Millions of yen)						
Sales:							
Sales to external customers	¥ 126,333	¥ 302,573	¥ 142,982	¥ 92,612	¥ 664,500	¥ –	¥ 664,500
Inter-segment sales	1,669	355	1,814	10,128	13,966	(13,966)	–
Net sales	¥ 128,002	¥ 302,928	¥ 144,796	¥ 102,740	¥ 678,466	¥ (13,966)	¥ 664,500
Segment income	¥ 2,709	¥ 6,960	¥ 6,244	¥ 4,802	¥ 20,715	¥ –	¥ 20,715
Segment assets	¥ 98,976	¥ 109,670	¥ 119,409	¥ 82,943	¥ 410,998	¥ 121,617	¥ 532,615
Other items:							
Depreciation and amortization	¥ 6,215	¥ 5,402	¥ 9,898	¥ 3,122	¥ 24,637	¥ 1,771	¥ 26,408
Investments in affiliated companies accounted for by the equity-method	1,978	2,678	1,580	1,109	7,345	–	7,345
Increase in property, plant and equipment and intangible and other assets	15,156	5,571	14,462	2,953	38,142	1,709	39,851

21. Segment Information (continued)

(3) Net sales, income, assets and other items by reportable segment (continued)

	Year ended March 31, 2021						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Adjustments	Consolidated total
	(Thousands of U.S. dollars)						
Sales:							
Sales to external customers	$ 921,970	$2,190,542	$1,251,284	$ 808,628	$5,172,424	$ –	$5,172,424
Inter-segment sales	12,871	581	13,894	85,109	112,455	(112,455)	–
Net sales	$ 934,841	$2,191,123	$1,265,178	$ 893,737	$5,284,879	$ (112,455)	$5,172,424
Segment income (loss)	$ (42,336)	$ 17,820	$ 61,721	$ 57,310	$ 94,515	$ –	$ 94,515
Segment assets	$1,081,578	$1,099,694	$1,190,774	$ 768,122	$4,140,168	$ 925,042	$5,065,210
Other items:							
Depreciation and amortization	$ 53,740	$ 46,371	$ 99,088	$ 33,926	$ 233,125	$ 15,254	$ 248,379
Investments in affiliated companies accounted for by the equity-method	18,406	27,881	16,070	10,486	72,843	–	72,843
Increase in property, plant and equipment and intangible and other assets	44,793	56,638	94,938	22,319	218,688	6,962	225,650

(Note 1) Adjustments for segment assets of ¥102,411 million ($925,042 thousand) and ¥121,617 million at March 31, 2021 and 2020, respectively, include corporate assets not allocated to each reportable segment. Corporate assets consist mainly of cash and bank deposits that are not attributable to any reportable segment.

(Note 2) Adjustments for depreciation and amortization relate to the head office building.

(Note 3) Adjustments for increase in property, plant and equipment and intangible and other assets of ¥771 million ($6,962 thousand) and ¥1,709 million at March 31, 2021 and 2020, respectively, relate to increased corporate assets that are not attributable to any reportable segment.

21. Segment Information (continued)

(4) Information by geographic area

	As of/ Year ended March 31, 2021				
	Japan	United States of America	Thailand	Other	Total
	(Millions of yen)				
Sales	¥ 310,805	¥ 77,622	¥ 96,403	¥ 87,809	¥ 572,639
Property, plant and equipment (including leased assets)	105,188	26,070	19,183	25,226	175,667

	As of/ Year ended March 31, 2020				
	Japan	United States of America	Thailand	Other	Total
	(Millions of yen)				
Sales	¥ 366,503	¥ 101,927	¥ 107,189	¥ 88,881	¥ 664,500
Property, plant and equipment (including leased assets)	109,674	24,835	21,625	24,169	180,303

	As of/ Year ended March 31, 2021				
	Japan	United States of America	Thailand	Other	Total
	(Thousands of U.S. dollars)				
Sales	$ 2,807,381	$ 701,128	$ 870,770	$ 793,145	$ 5,172,424
Property, plant and equipment (including leased assets)	950,121	235,483	173,273	227,856	1,586,733

(5) Information on major customers

For the year ended March 31, 2021, information on major customers is omitted since there is no external customer accounting for 10% or more of the Group's net sales.

Year ended March 31, 2020		
Name of customer	Net sales	Reportable segments
	(Millions of yen)	
SUBARU CORPORATION	¥ 68,294	Automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others

21. Segment Information (continued)

(6) Information on impairment loss of long-lived assets by reportable segment

	Year ended March 31, 2021						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
				(Millions of yen)			
Impairment loss	¥ –	¥ 149	¥ 285	¥ –	¥ 434	¥ –	¥ 434

	Year ended March 31, 2020						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
				(Millions of yen)			
Impairment loss	¥ 3,735	¥ 931	¥ –	¥ 21	¥ 4,687	¥ –	¥ 4,687

	Year ended March 31, 2021						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
				(Thousands of U.S. dollars)			
Impairment loss	$ –	$ 1,350	$ 2,566	$ –	$ 3,916	$ –	$ 3,916

(7) Information on amortization and unamortized balance of goodwill by reportable segment

There is no applicable information for the year ended March 31, 2021.

	As of/ Year ended March 31, 2020						
	Automotive suspension springs	Automotive seating	Precision springs and components	Industrial machinery and equipment, and others	Total	Eliminations or corporate assets	Consolidated total
				(Millions of yen)			
Amortization	¥ 0	¥ –	¥ –	¥ –	¥ 0	¥ –	¥ 0
Unamortized balance	–	–	–	–	–	–	–

22. Related Party Transactions

There were no related party transactions to be disclosed for the years ended March 31, 2021 and 2020.

23. Subsequent Event

[Distribution of retained earnings]

The following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2021, was approved by the shareholders of the Company at the Annual General Meeting of Shareholders held on June 25, 2021:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends of ¥12.0 ($0.11) per share	¥ 2,736	$ 24,715