Mitsui High-tec, Inc. and Subsidiaries

Consolidated Financial Statements for the Year Ended January 31, 2021, and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsui High-tec, Inc.:

Opinion

We have audited the consolidated financial statements of Mitsui High-tec, Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of January 31, 2021, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

DELOITTE TOUCHE TOHMATSU LLC
Fukuoka, Japan

April 26, 2021

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Balance Sheet
Year Ended January 31, 2021

ASSETS	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 17,373	¥ 19,112	$ 166,281
Short-term investments (Notes 4 and 14)	376	382	3,599
Notes and accounts receivable—trade (Note 14)	17,847	14,517	170,817
Allowance for doubtful accounts	(14)	(12)	(134)
Inventories (Note 5)	8,649	7,393	82,781
Prepaid expenses and other	2,631	2,012	25,182
Total current assets	46,862	43,404	448,526
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 7)	7,616	7,634	72,894
Buildings and structures (Note 7)	36,761	35,287	351,847
Machinery and equipment	66,214	59,319	633,748
Furniture and fixtures	22,436	22,795	214,740
Right of use assets	1,425	1,442	13,639
Construction in progress	3,691	4,440	35,327
Total	138,143	130,917	1,322,195
Accumulated depreciation	(91,167)	(87,507)	(872,578)
Net property, plant and equipment	46,976	43,410	449,617
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 14)	1,023	1,060	9,791
Asset for employees' retirement benefits (Note 9)	175	319	1,675
Deferred tax assets (Note 11)	294	296	2,814
Other assets	926	1,019	8,863
Total investments and other assets	2,418	2,694	23,143
TOTAL	¥ 96,256	¥ 89,508	$ 921,286

LIABILITIES AND EQUITY	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 8 and 14)	¥ 2,342	¥ 1,980	$ 22,416
Accounts payable—trade (Note 14)	7,680	5,806	73,507
Income taxes payable (Note 14)	640	358	6,126
Provision for bonuses for directors	80		766
Current portion of long-term lease obligations	27	28	258
Accrued expenses and other	4,286	3,794	41,022
Total current liabilities	15,055	11,966	144,095
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 14)	32,886	31,250	314,759
Liability for employees' retirement benefits (Note 9)	99	98	948
Retirement benefits to directors and corporate auditors	213	183	2,039
Long-term lease obligations	127	152	1,216
Deferred tax liabilities	61		584
Other liabilities	33		313
Total long-term liabilities	33,419	31,683	319,859
EQUITY (Note 10):			
Common stock—authorized, 94,595,700 shares; issued, 39,466,865 shares	16,404	16,404	157,006
Capital surplus	14,661	14,661	140,324
Retained earnings	21,170	18,833	202,623
Treasury stock—at cost, 2,912,905 shares in 2021 and 2,911,768 shares in 2020	(3,037)	(3,034)	(29,068)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	187	214	1,790
Deferred loss on derivatives under hedge accounting	(3)		(29)
Foreign currency translation adjustments	(1,661)	(1,367)	(15,898)
Defined retirement benefit plans	(185)	(80)	(1,771)
Total	47,536	45,631	454,977
Noncontrolling interests	246	228	2,355
Total equity	47,782	45,859	457,332
TOTAL	¥96,256	¥89,508	$921,286

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Operations
Year Ended January 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET SALES	¥97,351	¥86,970	$931,767
COST OF SALES	83,939	77,930	803,398
Gross profit	13,412	9,040	128,369
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	9,622	9,021	92,094
Operating income	3,790	19	36,275
OTHER INCOME (EXPENSES):			
Interest and dividend income	86	125	823
Interest expense	(100)	(90)	(957)
Rental income from real estate	106	108	1,015
Foreign exchange loss—net	(34)	(11)	(325)
Subsidy income	152	570	1,455
Loss on sales and disposal of property, plant and equipment	(78)	(84)	(747)
Loss on reduction of non-current assets	(143)	(31)	(1,369)
Loss on impairment of long-lived assets (Note 13)	(415)	(700)	(3,972)
Other—net	138	86	1,320
Other expenses—net	(288)	(27)	(2,757)
INCOME (LOSS) BEFORE INCOME TAXES	3,502	(8)	33,518
INCOME TAXES (Note 11):			
Current	754	426	7,217
Deferred	128	154	1,224
Total income taxes	882	580	8,441
NET INCOME (LOSS)	2,620	(588)	25,077
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	27	37	258
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 2,593	¥ (625)	$ 24,819

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income (loss)	¥70.92	¥(16.86)	$0.68
Cash dividends applicable to the year	21.0	6.0	0.2

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended January 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET INCOME (LOSS)	¥2,620	¥(588)	$25,077
OTHER COMPREHENSIVE LOSS (Note 16):			
Unrealized loss on available-for-sale securities	(27)	(54)	(258)
Deferred loss on derivatives under hedge accounting	(3)		(29)
Foreign currency translation adjustments	(294)	(192)	(2,814)
Defined retirement benefit plans	(105)	(3)	(1,005)
Total other comprehensive loss	(429)	(249)	(4,106)
COMPREHENSIVE INCOME (LOSS)	¥2,191	¥(837)	$20,971
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥2,163	¥(874)	$20,703
Noncontrolling interests	28	37	268

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended January 31, 2021

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, FEBRUARY 1, 2019	37,664	¥16,404	¥14,661	¥19,607	¥(1,557)	¥269		¥(1,175)	¥ (77)	¥48,132	¥202	¥48,334
Net loss attributable to owners of the parent				(625)						(625)		(625)
Cash dividends, ¥4.0 per share				(149)						(149)		(149)
Purchase of treasury stock	(1,109)				(1,477)					(1,477)		(1,477)
Net changes in the year						(55)		(192)	(3)	(250)	26	(224)
BALANCE, JANUARY 31, 2020	36,555	16,404	14,661	18,833	(3,034)	214		(1,367)	(80)	45,631	228	45,859
Net income attributable to owners of the parent				2,593						2,593		2,593
Cash dividends, ¥7.0 per share				(256)						(256)		(256)
Purchase of treasury stock					(3)					(3)		(3)
Net changes in the year						(27)	¥(3)	(294)	(105)	(429)	18	(411)
BALANCE, JANUARY 31, 2021	36,555	¥16,404	¥14,661	¥21,170	¥(3,037)	¥187	¥(3)	¥(1,661)	¥(185)	¥47,536	¥246	¥47,782

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 31, 2020	$ 157,006	$ 140,324	$ 180,254	$ (29,039)	$2,048		$ (13,084)	$ (766)	$ 436,743	$2,182	$ 438,925
Net income attributable to owners of the parent			24,819						24,819		24,819
Cash dividends, $0.07 per share			(2,450)						(2,450)		(2,450)
Purchase of treasury stock				(29)					(29)		(29)
Net changes in the year					(258)	$ (29)	(2,814)	(1,005)	(4,106)	173	(3,933)
BALANCE, JANUARY 31, 2021	$ 157,006	$ 140,324	$ 202,623	$ (29,068)	$1,790	$ (29)	$ (15,898)	$ (1,771)	$ 454,977	$2,355	$ 457,332

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended January 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 3,502	¥ (8)	$ 33,518
Adjustments for:			
Income taxes—paid	(483)	(322)	(4,623)
Depreciation and amortization	7,578	7,156	72,531
Loss on impairment of long-lived assets	415	700	3,972
Foreign exchange gain—net	(142)	(35)	(1,359)
Loss on sale and disposal of property, plant and equipment	78	84	747
Changes in assets and liabilities:			
Increase in notes and accounts receivable—trade	(3,360)	(1,741)	(32,159)
Increase in inventories	(1,305)	(126)	(12,490)
Increase in accounts payable—trade	1,855	744	17,755
Decrease (increase) in asset or liability for employees' retirement benefits	144	(62)	1,378
Decrease in provision for loss on business liquidation		(47)	
Decrease/increase in consumption taxes receivable/payable	(325)	583	(3,111)
Other—net	1,000	(473)	9,570
Total adjustments	5,455	6,461	52,211
Net cash provided by operating activities	8,957	6,453	85,729
INVESTING ACTIVITIES:			
Purchase of property, plant, equipment and intangible assets	(12,330)	(10,124)	(118,013)
Proceeds from sale of property, plant and equipment	3	19	29
Other—net	(179)	(322)	(1,714)
Net cash used in investing activities	(12,506)	(10,427)	(119,698)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	4,000	7,000	38,285
Repayments of long-term debt	(2,002)	(1,680)	(19,162)
Purchase of treasury stock	(3)	(1,477)	(29)
Dividends paid	(256)	(149)	(2,450)
Repayments of lease obligations	(23)	(22)	(220)
Other—net	(10)	(11)	(96)
Net cash provided by financing activities	1,706	3,661	16,328
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	104	52	997
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,739)	(261)	(16,644)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,112	19,373	182,925
CASH AND CASH EQUIVALENTS, END OF YEAR	¥17,373	¥19,112	$ 166,281

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Mitsui High-tec, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥104.48 to U.S. $1, the approximate rate of exchange at January 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of January 31, 2021 include the accounts of the Company and its 14 (14 in 2020) subsidiaries (collectively, the "Group"). Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances, transactions, and unrealized profits included in inventories and fixed assets resulting from transactions within the Group have been eliminated.

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

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and exposed to an insignificant risk of changes in value.

Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

d. ***Inventories***—Inventories are principally stated at the lower of cost, substantially determined by the specific-cost method, or net realizable value, except for certain products, raw materials and supplies which are stated at the lower of cost, determined by the moving-average method, or net realizable value.

e. ***Investment Securities***—Investment securities are classified and accounted for, depending on management's intent. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Depreciation and Amortization***—Depreciation of property, plant and equipment is primarily computed by the declining-balance method over the estimated useful lives of the assets, except for the buildings acquired by the Company and its domestic subsidiaries after April 1, 1998, and building improvements and structures acquired by the Company and its domestic subsidiaries on or after April 1, 2016, which are computed by the straight-line method. The range of useful lives is principally from 31 to 47 years for buildings, and from 5 to 10 years for machinery and equipment.

Amortization of intangible assets included in other assets is computed by the straight-line method. Regarding software for internal use, amortization is computed by the straight-line method over the estimated useful lives (five years).

g. ***Long-Lived Assets***—The Group reviews its long-lived 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 exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. ***Retirement and Pension Plan***—The Company and some of its subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years no longer than the expected average remaining service period of the employees ("standard method").

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date. The provisions for the retirement benefits are not funded. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

j. ***Bonuses to Directors***—Bonuses to directors are accrued at the end of year to which such bonuses are attributable.

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

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

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

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

o. ***Derivatives and Hedging Activities***—The Company uses foreign exchange forward contracts to manage its exposures to fluctuations in foreign exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until each maturity of the hedged transactions. The effectiveness of hedging instruments is determined based on the correlation of price fluctuations and cash flows between hedging instruments and hedged items for the period from the beginning of the hedge to the time of evaluation.

Foreign currency forward contracts are utilized to hedge foreign exchange exposures for export sales. Receivables denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for hedge accounting.

p. ***Per Share Information***—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the fiscal year.

Diluted net income per share is not disclosed in the accompanying consolidated statement of income as the Group does not have any dilutive securities.

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

q. ***New Accounting Pronouncements***

Recognition of Revenue—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after February 1, 2022. Earlier adoption is permitted for annual periods beginning on or after February 1, 2019.

The Company expects to apply the accounting standard and guidance for the annual period beginning on February 1, 2022, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Fair Value Measurement—To enhance comparability of financial statements among domestic and overseas companies, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards") on July 4, 2019. The New Accounting Standards define the guidance for fair value measurements. The New Accounting Standards are applied for fair value measurements as follows:

- Financial instruments defined by "Accounting Standard for Financial instruments"

- Measurement method of inventories held for trading purpose defined by "Accounting Standard For Measurement of Inventories"

In accordance with the New Accounting Standards, "Implementation Guidance on Disclosures About Fair Value of Financial Instruments" was revised and the revised guidance requires an entity to disclose details of financial instruments by levels of the fair value hierarchy.

The New Accounting Standards are effective for the annual periods beginning on or after April 1, 2021. The New Accounting Standards shall be applied prospectively, however, under certain circumstances, it is permitted to be applied retrospectively.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after February 1, 2022, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Disclosure of Accounting Estimates—On March 31, 2020, the ASBJ issued the ASBJ Statement No. 31, "Accounting Standard for Disclosure of Accounting Estimates." To help the users of the financial statements understand the assumptions and related risks, the new accounting standard requires an entity to disclose the information of estimation uncertainty at the end of the reporting period that has a significant risk of resulting in a material adjustment to the financial statement within the next financial year.

The Company expects to apply the accounting standard for the year ending January 31, 2022.

Accounting Policy Disclosures, Accounting Changes and Error Correction—On March 31, 2020, the ASBJ issued the revised ASBJ Statement No. 24, (revised 2020) "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections." The revised accounting standard requires an entity to disclose the outline of accounting principles and procedures in the absence of accounting standards that are specifically applied to transactions or events.

The Company expects to apply the accounting standard for the year ending January 31, 2022.

3. ADDITIONAL INFORMATION

Accounting Estimates Associated with the Spread of COVID-19—Due to the spread of COVID-19, the Group was affected by production decrease at major suppliers, and there was a temporary decline in demand during the current fiscal year. In the next fiscal year, it is assumed that the situation will gradually recover based on the current situation. This assumption is reflected in the accounting estimate (recoverability of deferred tax assets, judgment of indication of impairment on long-lived assets). It should be noted that this assumption is one that is based on currently available information. In case a change in the assumptions above occurs, it could affect the statement of operations as well as operating results in the future.

4. SHORT-TERM INVESTMENTS

Short-term investments as of January 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Time deposits which mature over three months from the date of acquisition	¥376	¥382	$3,599

5. INVENTORIES

Inventories at January 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Merchandise	¥ 775	¥ 601	$ 7,418
Finished products	3,104	2,470	29,709
Work in process	2,453	1,966	23,478
Raw materials and supplies	2,095	2,093	20,052
Goods in transit	222	263	2,124
Total	¥8,649	¥7,393	$82,781

6. INVESTMENT SECURITIES

Investment securities as of January 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Non-current:			
Marketable equity securities	¥ 984	¥1,021	$9,418
Nonmarketable equity securities	39	39	373
Total	¥1,023	¥1,060	$9,791

The costs and aggregate fair values of marketable equity securities at January 31, 2021 and 2020, were as follows:

	Millions of Yen			
January 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	¥715	¥287	¥18	¥ 984
January 31, 2020				
Securities classified as available-for-sale equity securities	¥713	¥351	¥43	¥1,021

	Thousands of U.S. Dollars			
January 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	$6,843	$2,747	$172	$9,418

7. INVESTMENT PROPERTY

The Group holds idle properties in Fukuoka and other areas. The net of rental income and operating expenses for those rental properties was ¥74 million ($708 thousand) and ¥73 million for the fiscal years ended January 31, 2021 and 2020, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties were as follows:

Millions of Yen			
Carrying Amount			Fair Value
February 1, 2020	Increase/Decrease	January 31, 2021	January 31, 2021
¥1,143		¥1,143	¥1,999

Millions of Yen			
Carrying Amount			Fair Value
February 1, 2019	Increase/Decrease	January 31, 2020	January 31, 2020
¥1,143		¥1,143	¥1,998

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
February 1, 2020	Increase/Decrease	January 31, 2021	January 31, 2021
$10,949		$10,949	$19,133

Notes:
1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Fair value of properties is based on a real estate appraisal by an external real estate appraiser.

8. LONG-TERM DEBT

Long-term debt as of years ended January 31, 2021 and 2020, consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unsecured loans from banks, with interest rates ranging from 0.1% to 0.5%, due 2030	¥35,228	¥33,230	$337,175
Total	35,228	33,230	337,175
Less current portion	(2,342)	(1,980)	(22,416)
Long-term debt, less current portion	¥32,886	¥31,250	$314,759

Annual maturities of long-term debt as of January 31, 2021, were as follows:

Year Ending January 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 2,342	$ 22,416
2023	6,812	65,199
2024	10,329	98,861
2025	2,145	20,530
2026	3,300	31,585
2027 and thereafter	10,300	98,584
Total	¥35,228	$337,175

9. RETIREMENT AND PENSION PLANS

The Company and some of its subsidiaries have funded pension plans and unfunded retirement benefit plans as defined benefit plans and the Company also has a defined contribution plan for employees.

Under most circumstances in the defined benefit plan, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Defined Benefit Plans

(1) The changes in defined benefit obligation for the years ended January 31, 2021 and 2020, excluding plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥5,691	¥5,643	$54,470
Current service cost	353	350	3,379
Interest cost	29	29	278
Actuarial losses	66	3	631
Benefits paid	(331)	(340)	(3,168)
Others	4	6	38
Balance at end of year	¥5,812	¥5,691	$55,628

(2) The changes in plan assets for the years ended January 31, 2021 and 2020, excluding plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥5,911	¥5,800	$56,575
Expected return on plan assets	119	117	1,139
Actuarial losses	(119)	(0)	(1,139)
Contributions from the employer	308	332	2,948
Benefits paid	(331)	(338)	(3,168)
Others	1		10
Balance at end of year	¥5,889	¥5,911	$56,365

(3) Reconciliation between the liability (asset) recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended January 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥5,807	¥5,662	$55,580
Plan assets	(5,890)	(5,911)	(56,374)
Total	(83)	(249)	(794)
Unfunded defined benefit obligation	7	28	67
Net asset arising from defined benefit obligation	¥ (76)	¥ (221)	$ (727)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for employees' retirement benefits	¥ 99	¥ 98	$ 948
Asset for employees' retirement benefits	(175)	(319)	(1,675)
Net asset arising from defined benefit obligation	¥ (76)	¥ (221)	$ (727)

(4) The components of net periodic benefit costs for the years ended January 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥353	¥350	$3,379
Interest cost	29	29	278
Expected return on plan assets	(119)	(117)	(1,139)
Recognized actuarial losses	26	3	248
Others	(6)	(7)	(57)
Net periodic benefit costs	¥283	¥258	$2,709

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended January 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial losses	¥(157)	¥(0)	$(1,503)
Total	¥(157)	¥(0)	$(1,503)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of January 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial losses	¥(263)	¥(106)	$(2,517)
Total	¥(263)	¥(106)	$(2,517)

(7) Plan assets

a. *Components of plan assets*

Plan assets as of January 31, 2021 and 2020, consisted of the following:

	2021	2020
Debt investments	12.3%	6.9%
Equity investments	6.6	7.4
General account	74.0	73.1
Others	7.1	12.6
Total	100.0%	100.0%

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

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

(8) Assumptions used in accounting for the plan assets for the years ended January 31, 2021 and 2020, are set forth as follows:

	2021	2020
Discount rate	Mainly 0.5%	Mainly 0.5%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined Contribution Plans

The required contributions to defined contribution plans by the Company for the years ended January 31, 2021 and 2020, were ¥131 million ($1,254 thousand) and ¥128 million, respectively.

10. EQUITY

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

a. Dividends

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

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.4% for the years ended January 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at January 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carryforwards	¥1,689	¥1,985	$ 16,166
Loss on impairment of long-lived assets	1,209	1,299	11,572
Unrealized profits included in inventories and fixed assets	148	176	1,417
Liability for employee's retirement benefits		31	
Other	474	385	4,536
Less valuation allowance for tax loss carryforwards	(1,689)	(1,797)	(16,166)
Less valuation allowance for temporary differences	(1,340)	(1,531)	(12,825)
Less valuation allowance	(3,029)	(3,328)	(28,992)
Total	491	548	4,699
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	(82)	(94)	(785)
Other	(176)	(158)	(1,684)
Total	(258)	(252)	(2,469)
Net deferred tax assets	¥ 233	¥ 296	$ 2,230

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

	Millions of Yen						
January 31, 2021	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥155	¥69	¥48	¥66	¥83	¥1,268	¥1,689
Less valuation allowances for tax loss carryforwards	(155)	(69)	(48)	(66)	(83)	(1,268)	(1,689)
Net deferred tax assets relating to tax loss carryforwards							

January 31, 2021	Thousands of U.S. Dollars						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	$1,484	$660	$459	$632	$794	$12,137	$16,166
Less valuation allowances for tax loss carryforwards	(1,484)	(660)	(459)	(632)	(794)	(12,137)	(16,166)
Net deferred tax assets relating to tax loss carryforwards							

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended January 31, 2021, was as follows (the reconciliation for the year ended January 31, 2020, was not presented because of net loss for the period):

	2021
Normal effective statutory tax rate	30.4%
Permanent nondeductible expenses, such as entertainment expenses	0.9
Permanent nontaxable income, such as dividend income	(0.1)
Change in valuation allowance	(8.9)
Expired carryforward loss	7.0
Lower income tax rates applicable in certain foreign countries	(1.5)
Effect of tax deduction	(3.1)
Other—net	0.5
Actual effective tax rate	25.2%

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended January 31, 2021 and 2020, were ¥390 million ($3,733 thousand) and ¥309 million, respectively.

13. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of January 31, 2021. As a result, the Group recognized impairment losses totaling ¥415 million ($3,972 thousand) for the IC leadframes (Stamped Leadframe division) in Mitsui High-tec (Malaysia) Co., Ltd. and Mitsui High-tec (Tianjin) Co., Ltd. due to continuous operating losses at these units. The carrying amounts of property, plant and equipment were written down to the recoverable amounts.

The Group recorded impairment losses totaling ¥700 million for the IC leadframes (Stamped Leadframe division) in Mitsui High-tec Co., Ltd. and Mitsui High-tec (Taiwan) Co., Ltd. for the year ended January 31, 2020.

The recoverable amounts of business assets were measured at their values in use. The discount rates used for the computation of the present values of future cash flows were a range of 10.4% to 12.0% for the year January 31, 2021, and 6.4% for the year ended January 31, 2020.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group finances its operations mainly by bank loans, based on its capital investment plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of customers to identify the default risk of customers.

Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position is hedged by using forward foreign currency contracts.

Investment securities, mainly equity securities of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Payment terms of payables, such as trade accounts, are approximately less than one month.

Derivatives include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables. Please see Note 15 for more details about derivatives.

(3) *Fair Values of Financial Instruments*

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

(*a*) *Fair value of financial instruments*

	Millions of Yen		
January 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥17,373	¥17,373	
Short-term investments	376	376	
Notes and accounts receivable—trade	17,847	17,847	
Investment securities	984	984	
Total	¥36,580	¥36,580	
Accounts payable—trade	¥ 7,680	¥ 7,680	
Income taxes payable	640	640	
Long-term debt (including current portion)	35,228	35,314	¥86
Total	¥43,548	¥43,634	¥86

January 31, 2020	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥19,112	¥19,112	
Short-term investments	382	382	
Notes and accounts receivable—trade	14,517	14,517	
Investment securities	1,021	1,021	
Total	¥35,032	¥35,032	
Accounts payable—trade	¥ 5,806	¥ 5,806	
Income taxes payable	358	358	
Long-term debt (including current portion)	33,230	33,373	¥143
Total	¥39,394	¥39,537	¥143

January 31, 2021	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 166,281	$ 166,281	
Short-term investments	3,599	3,599	
Notes and accounts receivable—trade	170,817	170,817	
Investment securities	9,418	9,418	
Total	$ 350,115	$ 350,115	
Accounts payable—trade	$ 73,507	$ 73,507	
Income taxes payable	6,126	6,126	
Long-term debt (including current portion)	337,175	337,998	$823
Total	$416,808	$417,630	$823

Cash, Cash Equivalents and Short-Term Investments

The carrying values of cash, cash equivalents and short-term investments approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 6.

Notes and Accounts Receivable—Trade, Accounts Payables—Trade and Income Taxes Payable

The carrying values of notes and accounts receivable—trade, accounts payable—trade and income taxes payable approximate fair value because of their short maturities.

Among accounts receivable—trade, the receivables with foreign exchange forward contracts that meet certain criteria are combined with foreign exchange forward contracts to determine the fair value. For other receivables, the carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

Long-Term Debt

Long-term debt—the fair values of long-term debt at fixed interest rates are determined by discounting the cash flows related to the debt at the Company's assumed borrowing rate.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments in equity securities that do not have a quoted market price in an active market	¥39	¥39	$373

(**4**) ***Maturity Analysis for Financial Assets with Contractual Maturities***

	Millions of Yen	
January 31, 2021	Due in One Year or Less	Due after One Year
Cash and cash equivalents	¥17,373	
Short-term investments	376	
Notes and accounts receivable—trade	17,847	
Total	¥35,596	

	Millions of Yen	
January 31, 2020	Due in One Year or Less	Due after One Year
Cash and cash equivalents	¥19,112	
Short-term investments	382	
Notes and accounts receivable—trade	14,517	
Total	¥34,011	

	Thousands of U.S. Dollars	
January 31, 2021	Due in One Year or Less	Due after One Year
Cash and cash equivalents	$166,281	
Short-term investments	3,599	
Notes and accounts receivable—trade	170,817	
Total	$340,697	

Please see Note 8 for annual maturities of long-term debt.

15. DERIVATIVES

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. Subsidiaries do not enter into derivative transactions.

The Company utilizes these instruments only to hedge foreign currency exposures incorporated within its business and does not enter into derivatives for trading or speculative purposes.

Because the counterparties to those derivatives are limited to major international or domestic financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
January 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—				
Selling U.S.$:				
Deferral hedge	Receivables	¥4,373		¥(4)
Forward contracts applied for designated transaction	Receivables	3,976		*
January 31, 2020				
Foreign currency forward contracts—				
Selling U.S.$	Receivables	¥3,316		*

		Thousands of U.S. Dollars		
January 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—				
Selling U.S.$:				
Deferral hedge	Receivables	$41,855		$(38)
Forward contracts applied for designated transaction	Receivables	38,055		*

The fair values of derivative transactions are measured at the quoted price obtained from the financial institutions.

* Receivables denominated in foreign currencies covered by a forward exchange contract are translated at the contracted rates if the forward contracts qualify for hedge accounting.

16. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended January 31, 2021 and 2020, were as follows:

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Unrealized loss on available-for-sale securities:			
Loss arising during the year	¥ (39)	¥ (78)	$ (373)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(39)	(78)	(373)
Income tax effect	12	24	115
Total	¥ (27)	¥ (54)	$ (258)
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (4)		$ (39)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(4)		(39)
Income tax effect	1		10
Total	¥ (3)		$ (29)
Foreign currency translation adjustments—			
Adjustments arising during the year	¥(294)	¥(192)	$(2,814)
Defined retirement benefit plans:			
Adjustments arising during the year	¥(183)	¥ (3)	$(1,761)
Reclassification adjustments to profit or loss	26	3	248
Amount before income tax effect	(157)	(0)	(1,503)
Income tax effect	52	(3)	498
Total	¥(105)	¥ (3)	$(1,005)
Total other comprehensive loss	¥(429)	¥(249)	$(4,106)

17. SEGMENT INFORMATION

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

(**1**) ***Description of Reportable Segments***

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of Tooling, Electronic Parts, Electrical Parts and Machinery.

"Tooling" consists of stamping for motor cores and IC leadframes, and other precision tooling and parts.

"Electronic Parts" consists of IC leadframes.

"Electrical Parts" consists of motor cores.

"Machinery" consists of surface grinders and jig grinders.

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

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

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

	Millions of Yen						
	2021						
	Reportable Segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥3,773	¥39,896	¥52,966	¥ 716	¥ 97,351		¥97,351
Intersegment sales or transfers	4,772			156	4,928	¥(4,928)	
Total	¥8,545	¥39,896	¥52,966	¥ 872	¥102,279	¥(4,928)	¥97,351
Segment profit (loss)	¥ 958	¥ 1,516	¥ 4,527	¥ (243)	¥ 6,758	¥(2,968)	¥ 3,790
Segment assets	6,647	29,137	46,549	636	82,969	13,287	96,256
Other:							
Depreciation	673	2,618	4,087	65	7,443	135	7,578
Increase in property, plant and equipment and intangible assets	904	2,308	8,540	107	11,859	67	11,926
Impairment losses of assets		415			415		415

	Millions of Yen						
	2020						
	Reportable Segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥4,755	¥36,463	¥44,378	¥1,374	¥86,970		¥86,970
Intersegment sales or transfers	4,207	1		299	4,507	¥ (4,507)	
Total	¥8,962	¥36,464	¥44,378	¥1,673	¥91,477	¥ (4,507)	¥86,970
Segment profit (loss)	¥1,086	¥ (1,392)	¥ 2,904	¥ 85	¥ 2,683	¥ (2,664)	¥ 19
Segment assets	6,560	27,907	37,960	629	73,056	16,452	89,508
Other:							
Depreciation	585	3,015	3,350	54	7,004	152	7,156
Increase in property, plant and equipment and intangible assets	768	2,505	7,028	54	10,355	155	10,510
Impairment losses of assets		700			700		700

	Thousands of U.S. Dollars						
	2021						
	Reportable Segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$ 36,112	$ 381,853	$ 506,949	$ 6,853	$ 931,767		$ 931,767
Intersegment sales or transfers	45,674			1,493	47,167	$ (47,167)	
Total	$ 81,786	$ 381,853	$ 506,949	$ 8,346	$ 978,934	$ (47,167)	$ 931,767
Segment profit (loss)	$ 9,169	$ 14,510	$ 43,329	$ (2,326)	$ 64,682	$ (28,407)	$ 36,275
Segment assets	63,620	278,876	445,530	6,087	794,113	127,173	921,286
Other:							
Depreciation	6,441	25,057	39,118	623	71,239	1,292	72,531
Increase in property, plant and equipment and intangible assets	8,652	22,090	81,738	1,025	113,505	641	114,146
Impairment losses of assets		3,972			3,972		3,972

Notes: 1. The amounts of "Reconciliations" for the year ended January 31, 2021, are as follows:

(1) The amount of "Reconciliations" for segment profit is ¥2,968 million ($28,407 thousand). This amount mainly includes general and administrative expenses, which is not allocable to the reportable segments.

(2) The amount of "Reconciliations" for segment assets is ¥13,287 million ($127,173 thousand), this amount is corporate assets which are not allocable to the reportable segments.

(3) The amount of "Reconciliations" for depreciation of ¥135 million ($1,292 thousand) consists of depreciation of corporate assets.

(4) The "Reconciliations" of increase in property, plant and equipment and intangible assets of ¥67 million ($641 thousand) is an increase of corporate assets.

Segment profit in reportable segments corresponds to operating income.

2. The amounts of "Reconciliations" for the year ended January 31, 2020, are as follows:

(1) The amount of "Reconciliations" for segment profit is ¥2,664 million. This amount mainly includes general and administrative expenses, which is not allocable to the reportable segments.

(2) The amount of "Reconciliations" for segment assets is ¥16,452 million, this amount is corporate assets which are not allocable to the reportable segments.

(3) The amount of "Reconciliations" for depreciation of ¥152 million consists of depreciation of corporate assets.

(4) The "Reconciliations" of increase in property, plant and equipment and intangible assets of ¥155 million is an increase of corporate assets.

Segment profit in reportable segments corresponds to operating income.

(4) ***Related Information***

(*a*) *Information about geographical areas*

(1) Sales

Millions of Yen			
2021			
Japan	China	Other	Total
¥52,098	¥19,069	¥26,184	¥97,351

Millions of Yen			
2020			
Japan	China	Other	Total
¥46,012	¥16,093	¥24,865	¥86,970

Thousands of U.S. Dollars			
2021			
Japan	China	Other	Total
$ 498,641	$ 182,513	$ 250,613	$ 931,767

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

(2) Property, plant and equipment (net)

Millions of Yen					
2021					
Japan	China	Europe	North America	Other	Total
¥33,117	¥5,566	¥2,986	¥2,672	¥2,635	¥46,976

Millions of Yen				
2020				
Japan	China	North America	Other	Total
¥30,199	¥5,393	¥2,977	¥4,841	¥43,410

Thousands of U.S. Dollars					
2021					
Japan	China	Europe	North America	Other	Total
$ 316,970	$ 53,273	$ 28,580	$ 25,574	$ 25,220	$ 449,617

(*b*) *Information about major customers*

Name of Customer	2021 Millions of Yen Sales	2021 Related Segment Name
TOYOTA MOTOR CORPORATION	¥26,377	Electrical Parts

Name of Customer	2020 Millions of Yen Sales	2020 Related Segment Name
TOYOTA MOTOR CORPORATION	¥22,155	Electrical Parts

Name of Customer	2021 Thousands of U.S. Dollars Sales	2021 Related Segment Name
TOYOTA MOTOR CORPORATION	$252,460	Electrical Parts

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

At the general shareholders meeting held on April 23, 2021, the Company's shareholders approved the following appropriation of retained earnings as of January 31, 2021:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥18.0 ($0.17) per share	¥658	$6,298

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