Mitsui High-tec, Inc. and Subsidiaries

Consolidated Financial Statements for the Year Ended January 31, 2022, 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, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 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.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<table>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>The Group continues to invest in production facilities to expand its production capacity to align with its medium- to long-term market demand forecast. As a result, property, plant and equipment totaling 58,353 million yen, which accounts for 43.5% of total assets, was recorded on the Consolidated Balance Sheet as of January 31, 2022.

As described in Note4 “SIGNIFICANT ACCOUNTING ESTIMATE”, the Group identifies its asset or asset group based on the segmentation used for performance management and assesses any indications of impairment for the asset or asset group. In addition, the Group determines whether it’s necessary to recognize impairment loss for the asset or asset group which has an indication of impairment, by comparing the total amount of undiscounted future cash-flows with its carrying amount (impairment analysis).

The undiscounted future cash-flows used in the impairment analysis are calculated based on a business plan approved by management considering assumptions, such as market trend and production plan.
The assumptions in the business plan involve high level of uncertainty since they are affected by the economic environments of the countries or regions where the Group operates, as well as demands and stock level of main customers that belong to semiconductor, home appliances and automotive industries. Also, the assumptions are significantly affected by the estimates based on management judgement.

Considering the above circumstances, we identified the appropriateness of impairment analysis for long-lived assets as a key audit matter.</td><td>We performed the following audit procedures to test the appropriateness of impairment analysis for long-lived assets, among others:

(1)Understanding of internal controls
・ We understood the internal controls over the impairment analysis for long-lived assets performed by management.

(2)Evaluation of reasonableness of undiscounted future cash-flows estimate

・We compared the projection period of the undiscounted future cash-flows with the useful life of main asset or asset group.

・We tested the consistency of the undiscounted future cash-flows with the underlying business plan approved by management.

・We assessed the accuracy of business plan by comparing the historical business plan with corresponding actual result.

・We tested the assumptions used as a basis of the business plan, such as market trend and production plan, by inquiring of management as well as comparing with external data resources available and comparable company information, and performing historical trend analysis.</td></tr>
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Responsibilities of Management and the Audit and Supervisory Committee 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.

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

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

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

DELOITTE TOUCHE TOHMATSU LLC
Fukuoka, Japan

April 25, 2022

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Balance Sheet
Year Ended January 31, 2022

ASSETS	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 31,141	¥ 17,373	$ 269,759
Short-term investments (Notes 4 and 14)	170	376	1,473
Notes and accounts receivable—trade (Note 14)	25,821	17,847	223,675
Allowance for doubtful accounts	(18)	(14)	(156)
Inventories (Note 5)	11,823	8,649	102,417
Prepaid expenses and other	3,482	2,631	30,163
Total current assets	72,419	46,862	627,331
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 7)	7,403	7,616	64,129
Buildings and structures (Note 7)	38,623	36,761	334,572
Machinery and equipment	78,678	66,214	681,549
Furniture and fixtures	25,828	22,436	223,735
Right of use assets	1,609	1,425	13,938
Construction in progress	6,109	3,691	52,919
Total	158,250	138,143	1,370,842
Accumulated depreciation	(99,897)	(91,167)	(865,359)
Net property, plant and equipment	58,353	46,976	505,483
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 14)	1,160	1,023	10,049
Asset for employees' retirement benefits (Note 9)	363	175	3,144
Deferred tax assets (Note 11)	597	294	5,172
Other assets	1,145	926	9,918
Total investments and other assets	3,265	2,418	28,283
TOTAL	¥134,037	¥ 96,256	$1,161,097

LIABILITIES AND EQUITY	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 8 and 14)	¥ 7,112	¥ 2,342	$ 61,608
Accounts payable—trade (Note 14)	13,470	7,680	116,684
Income taxes payable (Note 14)	3,432	640	29,730
Provision for bonuses for directors	85	80	736
Current portion of long-term lease obligations	30	27	260
Accrued expenses and other	6,070	4,286	52,581
Total current liabilities	30,199	15,055	261,599
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 14)	41,624	32,886	360,568
Liability for employees' retirement benefits (Note 9)	146	99	1,265
Retirement benefits to directors and corporate auditors	180	213	1,559
Long-term lease obligations	119	127	1,031
Deferred tax liabilities	386	61	3,344
Other liabilities		33	
Total long-term liabilities	42,455	33,419	367,767
EQUITY (Note 10):			
Common stock—authorized, 94,595,700 shares; issued, 39,466,865 shares	16,404	16,404	142,100
Capital surplus	14,661	14,661	127,001
Retained earnings	31,962	21,170	276,871
Treasury stock—at cost, 2,914,411 shares in 2022 and 2,912,905 shares in 2021	(3,047)	(3,037)	(26,395)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	334	187	2,893
Deferred loss on derivatives under hedge accounting	(41)	(3)	(355)
Foreign currency translation adjustments	1,040	(1,661)	9,009
Defined retirement benefit plans	(195)	(185)	(1,689)
Total	61,118	47,536	529,435
Noncontrolling interests	265	246	2,296
Total equity	61,383	47,782	531,731
TOTAL	¥134,037	¥96,256	$1,161,097

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Income
Year Ended January 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET SALES	¥ 139,429	¥97,351	$1,207,805
COST OF SALES	112,970	83,939	978,604
Gross profit	26,459	13,412	229,201
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	11,499	9,622	99,610
Operating income	14,960	3,790	129,591
OTHER INCOME (EXPENSES):			
Interest and dividend income	85	86	736
Interest expense	(123)	(100)	(1,065)
Rental income from real estate	104	106	901
Foreign exchange gain (loss)—net	803	(34)	6,956
Subsidy income	186	152	1,611
Loss on sales and disposal of property, plant and equipment	(284)	(78)	(2,460)
Loss on reduction of non-current assets	(45)	(143)	(390)
Loss on impairment of long-lived assets (Note 13)	(385)	(415)	(3,335)
Other—net	127	138	1,100
Other income (expenses)—net	468	(288)	4,054
INCOME BEFORE INCOME TAXES	15,428	3,502	133,645
INCOME TAXES (Note 11):			
Current	3,681	754	31,887
Deferred	(60)	128	(520)
Total income taxes	3,621	882	31,367
NET INCOME	11,807	2,620	102,278
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	28	27	242
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 11,779	¥ 2,593	$ 102,036

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥ 322.24	¥ 70.92	$2.79
Cash dividends applicable to the year	64.0	21.0	0.55

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended January 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET INCOME	¥11,807	¥2,620	$102,278
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain (loss) on available-for-sale securities	146	(27)	1,265
Deferred loss on derivatives under hedge accounting	(38)	(3)	(329)
Foreign currency translation adjustments	2,702	(294)	23,406
Defined retirement benefit plans	(10)	(105)	(87)
Total other comprehensive income (loss)	2,800	(429)	24,255
COMPREHENSIVE INCOME	¥14,607	¥2,191	$126,533
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥14,579	¥2,163	$126,291
Noncontrolling interests	28	28	242

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended January 31, 2022

	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, 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	(1)				(3)					(3)		(3)
Net changes in the year						(27)	(3)	(294)	(105)	(429)	18	(411)
BALANCE, JANUARY 31, 2021	36,554	¥16,404	¥14,661	¥21,170	¥(3,037)	¥187	(3)	¥(1,661)	¥(185)	¥47,536	¥246	¥47,782
Net income attributable to owners of the parent				11,779						11,779		11,779
Cash dividends, ¥27.0 per share				(987)						(987)		(987)
Purchase of treasury stock	(2)				(10)					(10)		(10)
Net changes in the year						147	(38)	2,701	(10)	2,800	19	2,819
BALANCE, JANUARY 31, 2022	36,552	¥16,404	¥14,661	¥31,962	¥(3,047)	¥334	¥(41)	¥ 1,040	¥(195)	¥61,118	¥265	¥61,383

	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, 2021	$ 142,100	$ 127,001	$ 183,385	$ (26,308)	$1,620	$ (26)	$ (14,388)	$ (1,603)	$ 411,781	$2,131	$ 413,912
Net income attributable to owners of the parent			102,036						102,036		102,036
Cash dividends, $0.23 per share			(8,550)						(8,550)		(8,550)
Purchase of treasury stock				(87)					(87)		(87)
Net changes in the year					1,273	$ (329)	23,397	(86)	24,255	165	24,420
BALANCE, JANUARY 31, 2022	$ 142,100	$ 127,001	$ 276,871	$ (26,395)	$2,893	$ (355)	$ 9,009	$ (1,689)	$ 529,435	$2,296	$ 531,731

See notes to consolidated financial statements.

Mitsui High-tec, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended January 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
OPERATING ACTIVITIES:			
Income before income taxes	¥15,428	¥ 3,502	$ 133,645
Adjustments for:			
Income taxes—paid	(1,148)	(483)	(9,945)
Depreciation and amortization	8,603	7,578	74,524
Loss on impairment of long-lived assets	385	415	3,335
Foreign exchange gain—net	(658)	(142)	(5,700)
Loss on sale and disposal of property, plant and equipment	205	78	1,776
Changes in assets and liabilities:			
Increase in notes and accounts receivable—trade	(6,917)	(3,360)	(59,919)
Increase in inventories	(2,783)	(1,305)	(24,108)
Increase in accounts payable—trade	5,203	1,855	45,071
Increase/decrease in asset or liability for employees' retirement benefits	(143)	144	(1,239)
Decrease/increase in consumption taxes receivable/payable	122	(325)	1,057
Other—net	(168)	1,000	(1,455)
Total adjustments	2,701	5,455	23,397
Net cash provided by operating activities	18,129	8,957	157,042
INVESTING ACTIVITIES:			
Purchase of property, plant, equipment and intangible assets	(17,761)	(12,330)	(153,855)
Proceeds from sale of property, plant and equipment	205	3	1,776
Other—net	(188)	(179)	(1,629)
Net cash used in investing activities	(17,744)	(12,506)	(153,708)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	16,000	4,000	138,600
Repayments of long-term debt	(2,492)	(2,002)	(21,587)
Purchase of treasury stock	(10)	(3)	(87)
Dividends paid	(987)	(256)	(8,550)
Repayments of lease obligations	(33)	(23)	(286)
Other—net	(8)	(10)	(69)
Net cash provided by financing activities	12,470	1,706	108,021
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	913	104	7,910
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,768	(1,739)	119,265
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,373	19,112	150,494
CASH AND CASH EQUIVALENTS, END OF YEAR	¥31,141	¥17,373	$ 269,759

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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥115.44 to U.S. $1, the approximate rate of exchange at January 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of January 31, 2022 include the accounts of the Company and its 14 (14 in 2021) 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; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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 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. The cumulative impact of retroactively applying the new accounting policy prior to February 1, 2022 will be added to or subtracted from the retained earnings at the beginning of February 1, 2022.And the new accounting standard will be applied from the balance at the beginning of the period. As a result, the beginning retained earnings are expected to increase by ¥811 million ($7,025 thousand).

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.

There is no effect of adoption of the Accounting Standard for Fair Value Measurement and other accounting standards and guidance on the consolidated financial statements.

3. APPLYING THE ACCOUNTING STANDARD FOR 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 Group applied the accounting standard for the year ended January 31, 2022.

Chapter 11 of the accounting standard permitted the Group not to disclose the previous information retrospectively.

4. SIGNIFICANT ACCOUNTING ESTIMATE

Loss on impairment of long-lived assets relating to the Machinery Business and Reconciliations in January 31, 2022:

(1)Amount recorded in the consolidated financial for the consolidated fiscal year under review

	Consolidated fiscal year under review	
	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Property, plant and equipment	¥58,353	$6,736,270
Impairment loss	385	44,444

(2)Information on the significant accounting estimate

a. Calculation method

Business assets are grouped by business based on the segmentation used for performance management, etc. And for asset groups with an indication of impairment, the total amount of undiscounted future cash-flows is compared with book value of them. We have reduced the book value of the asset group for which it was determined that an impairment loss should be recognized to the recoverable amount.

We are reducing the amount of idle assets which are grouped by individual property. And the book value of them is reduced to the recoverable amount.

b. Main assumptions

Future cash-flows for business assets are calculated based on the business plan approved by management.

The future cash-flows used to determine if it is necessary to recognize the impairment loss are calculated based on a business plan approved by management considering assumptions, such as market trend and production plan.

The assumptions in the business plan involve high level of uncertainty since they are affected by the economic environments of the countries or regions where the Group operates, as well as demands and stock level of main customers that belong to semiconductor, home appliances and automotive industries.

The recoverable value of idle assets is calculated based on the net selling price based on the real estate appraisal value.

c. Impact on consolidated financial statements for the next consolidated fiscal year

When there is a discrepancy between future cash-flows estimates and actual results due to market trends, changes in production plans, etc., if the net selling price of idle assets fluctuates due to changes in real estate market conditions, etc., in the next consolidated fiscal year Impairment loss may be recorded additionally.

5. SHORT-TERM INVESTMENTS

Short-term investments as of January 31, 2022 and 2021, consisted of the following

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Time deposits which mature over three months from the date of acquisition	¥170	¥376	$1,473

6. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Merchandise	¥ 1,220	¥ 775	$ 10,568
Finished products	4,216	3,104	36,521
Work in process	2,792	2,453	24,186
Raw materials and supplies	3,168	2,095	27,443
Goods in transit	427	222	3,699
Total	¥11,823	¥8,649	$102,417

7. INVESTMENT SECURITIES

Investment securities as of January 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Non-current:			
Marketable equity securities	¥1,121	¥ 984	$ 9,711
Nonmarketable equity securities	39	39	338
Total	¥1,160	¥1,023	$10,049

The costs and aggregate fair values of marketable equity securities at January 31, 2022 and 2021, were as follows:

	Millions of Yen			
January 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	¥641	¥485	¥ 5	¥1,121
January 31, 2021				
Securities classified as available-for-sale equity securities	¥715	¥287	¥18	¥ 984

	Thousands of U.S. Dollars			
January 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	$5,553	$4,201	$ 43	$9,711

8. 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 ($641 thousand) and ¥74 million for the fiscal years ended January 31, 2022 and 2021, 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, 2021	Increase/Decrease	January 31, 2022	January 31, 2022
¥1,143	¥ (258)	¥ 885	¥2,277

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

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
February 1, 2021	Increase/Decrease	January 31, 2022	January 31, 2022
$ 9,901	$ (2,235)	$ 7,666	$19,725

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.
3. Decrease during the fiscal year ended January 31, 2022, primarily represents the recognition of impairment loss of ¥273 million ($2,365 thousand).

9. LONG-TERM DEBT

Long-term debt as of years ended January 31, 2022 and 2021, consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unsecured loans from banks, with interest rates ranging from 0.2% to 0.3%, due 2031	¥48,736	¥35,228	$422,176
Total	48,736	35,228	422,176
Less current portion	(7,112)	(2,342)	(61,608)
Long-term debt, less current portion	¥41,624	¥32,886	$360,568

Annual maturities of long-term debt as of January 31, 2022, were as follows:

Year Ending January 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 7,112	$ 61,608
2024	10,629	92,074
2025	2,445	21,180
2026	3,600	31,185
2027	4,000	34,650
2028 and thereafter	20,950	181,479
Total	¥48,736	$422,176

10. 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, 2022 and 2021, excluding plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥5,812	¥5,691	$50,347
Current service cost	349	353	3,023
Interest cost	29	29	251
Actuarial losses	55	66	476
Benefits paid	(317)	(331)	(2,746)
Others	15	4	130
Balance at end of year	¥5,943	¥5,812	$51,481

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥5,889	¥5,911	$51,014
Expected return on plan assets	88	119	762
Actuarial losses	(9)	(119)	(78)
Contributions from the employer	506	308	4,383
Benefits paid	(317)	(331)	(2,746)
Others	5	1	43
Balance at end of year	¥6,162	¥5,889	$53,378

(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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥5,937	¥5,807	$51,430
Plan assets	(6,162)	(5,890)	(53,378)
Total	(225)	(83)	(1,948)
Unfunded defined benefit obligation	8	7	69
Net asset arising from defined benefit obligation	¥ (217)	¥ (76)	$ (1,879)

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for employees' retirement benefits	¥ 146	¥ 99	$1,265
Asset for employees' retirement benefits	(363)	(175)	(3,144)
Net asset arising from defined benefit obligation	¥ (217)	¥ (76)	$(1,879)

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥349	¥353	$3,023
Interest cost	29	29	251
Expected return on plan assets	(89)	(119)	(771)
Recognized actuarial losses	63	26	546
Others	(7)	(6)	(61)
Net periodic benefit costs	¥345	¥283	$2,988

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended January 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Actuarial losses	¥ (2)	¥ (157)	$ (17)
Total	¥ (2)	¥ (157)	$ (17)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of January 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized actuarial losses	¥(265)	¥(263)	$(2,296)
Total	¥(265)	¥(263)	$(2,296)

(7) Plan assets

a. *Components of plan assets*

Plan assets as of January 31, 2022 and 2021, consisted of the following:

	2022	2021
Debt investments	16.4%	12.3%
Equity investments	6.3	6.6
General account	62.1	74.0
Others	15.2	7.1
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, 2022 and 2021, are set forth as follows:

	2022	2021
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, 2022 and 2021, were ¥135 million ($1,169 thousand) and ¥131 million, respectively.

11. 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.

12. 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, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at January 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards	¥1,795	¥1,689	$15,549
Loss on impairment of long-lived assets	1,191	1,209	10,317
Unrealized profits included in inventories and fixed assets	322	148	2,789
Enterprise tax payable	215	48	1,863
Over depreciation	130	95	1,126
Other	225	331	1,949
Less valuation allowance for tax loss carryforwards	(1,224)	(1,689)	(10,603)
Less valuation allowance for temporary differences	(1,043)	(1,340)	(9,035)
Less valuation allowance	(2,267)	(3,029)	(19,638)
Total	1,611	491	13,955
Deferred tax liabilities:			
Insufficient depreciation	(1,109)	(87)	(9,607)
Net unrealized gain on available-for-sale securities	(146)	(82)	(1,265)
Retirement benefit asset	(110)	(53)	(953)
Other	(35)	(36)	(303)
Total	(1,400)	(258)	(12,128)
Net deferred tax assets	¥ 211	¥ 233	$ 1,827

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

	Millions of Yen						
January 31, 2022	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	¥ 37	¥ 54	¥ 75	¥ 123		¥ 1,506	¥1,795
Less valuation allowances for tax loss carryforwards	(37)	(54)	(75)	(50)		(1,008)	(1,224)
Net deferred tax assets relating to tax loss carryforwards				¥ 73		¥ 498	¥ 571

January 31, 2022	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	$ 321	$468	$650	$ 1,065		$13,045	$15,549
Less valuation allowances for tax loss carryforwards	(321)	(468)	(650)	(433)		(8,731)	(10,603)
Net deferred tax assets relating to tax loss carryforwards				632		4,314	4,946

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, 2022 and 2021, was as follows:

	2022	2021
Normal effective statutory tax rate	30.4%	30.4%
Permanent nondeductible expenses, such as entertainment expenses	0.2	0.9
Permanent nontaxable income, such as dividend income	0.0	(0.1)
Change in valuation allowance	(3.6)	(8.9)
Expired carryforward loss	0.7	7.0
Lower income tax rates applicable in certain foreign countries	(2.0)	(1.5)
Effect of tax deduction	(3.2)	(3.1)
Other—net	1.0	0.5
Actual effective tax rate	23.5%	25.2%

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended January 31, 2022 and 2021, were ¥508 million ($4,401 thousand) and ¥390 million, respectively.

14. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of January 31, 2022. As a result, the Group recognized impairment losses totaling ¥385 million ($ 3,335thousand) for the Machinery Business and Reconciliations in Mitsui High-tec 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 ¥415 million for the IC leadframes (Stamped Leadframe division) in Mitsui High-tec (Malaysia) Co., Ltd. and Mitsui High-tec (Tianjin) Co., Ltd. for the year ended January 31, 2021.

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 9.1% for the year January 31, 2022, and 10.4% to 12.0% for the year ended January 31, 2021.

15. 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, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥31,141	¥31,141	
Short-term investments	170	170	
Notes and accounts receivable—trade	25,821	25,821	
Investment securities	1,121	1,121	
Total	¥58,253	¥58,253	
Accounts payable—trade	¥13,470	¥13,470	
Income taxes payable	3,432	3,432	
Long-term debt (including current portion)	48,736	48,903	¥167
Total	¥65,638	¥65,805	¥167

January 31, 2021	Millions of Yen 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, 2022	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 269,759	$ 269,759	
Short-term investments	1,473	1,473	
Notes and accounts receivable—trade	223,675	223,675	
Investment securities	9,711	9,711	
Total	$ 504,618	$ 504,618	
Accounts payable—trade	$ 116,684	$ 116,684	
Income taxes payable	29,730	29,730	
Long-term debt (including current portion)	422,176	423,623	$1,447
Total	$ 568,590	$ 570,036	$1,447

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 2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
Investments in equity securities that do not have a quoted market price in an active market	¥39	¥39	$338

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

	Millions of Yen	
January 31, 2022	Due in One Year or Less	Due after One Year
Cash and cash equivalents	¥31,141	
Short-term investments	170	
Notes and accounts receivable—trade	25,821	
Total	¥57,132	
January 31, 2021		
Cash and cash equivalents	¥17,373	
Short-term investments	376	
Notes and accounts receivable—trade	17,847	
Total	¥35,596	

	Thousands of U.S. Dollars	
January 31, 2022	Due in One Year or Less	Due after One Year
Cash and cash equivalents	$269,759	
Short-term investments	1,473	
Notes and accounts receivable—trade	223,675	
Total	$494,907	

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

16. 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, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—				
Selling U.S.$:				
Deferral hedge	Receivables	¥7,874		¥ (59)
Forward contracts applied for designated transaction	Receivables	6,853		*
January 31, 2021				
Foreign currency forward contracts—				
Selling U.S.$				
Deferral hedge	Receivables	¥4,373		¥ (4)
Forward contracts applied for designated transaction	Receivables	3,976		*

		Thousands of U.S. Dollars		
January 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—				
Selling U.S.$:				
Deferral hedge	Receivables	$68,209		$ (511)
Forward contracts applied for designated transaction	Receivables	59,364		*

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.

17. OTHER COMPREHENSIVE INCOME(LOSS)

The components of other comprehensive loss for the years ended January 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized loss on available-for-sale securities:			
Loss arising during the year	¥ 184	¥ (39)	$ 1,594
Reclassification adjustments to profit or loss	26		225
Amount before income tax effect	210	(39)	1,819
Income tax effect	(64)	12	(554)
Total	¥ 146	¥ (27)	$ 1,265
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (54)	¥ (4)	$ (468)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(54)	(4)	(468)
Income tax effect	17	1	147
Total	¥ (38)	¥ (3)	$ (329)
Foreign currency translation adjustments—			
Adjustments arising during the year	¥ 2,702	¥ (294)	$ 23,406
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (65)	¥ (183)	$ (563)
Reclassification adjustments to profit or loss	63	26	546
Amount before income tax effect	(2)	(157)	(17)
Income tax effect	(8)	52	(69)
Total	¥ (10)	¥ (105)	$ (87)
Total other comprehensive income (loss)	¥ 2,800	¥ (429)	$ 24,255

18. 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						
	2022						
	Reportable Segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥3,917	¥59,145	¥75,477	¥ 890	¥139,429		¥139,429
Intersegment sales or transfers	5,844		6	70	5,920	¥(5,920)	
Total	¥9,761	¥59,145	¥75,483	¥ 960	¥145,349	¥(5,920)	¥139,429
Segment profit (loss)	¥1,025	¥ 7,817	¥ 9,054	¥ (260)	¥ 17,636	¥(2,676)	¥ 14,960
Segment assets	6,910	36,505	69,574	406	113,395	20,642	134,037
Other:							
Depreciation	704	2,454	5,265	58	8,481	122	8,603
Increase in property, plant and equipment and intangible assets	905	3,174	15,044	47	19,170	359	19,529
Impairment losses of assets				112	112	273	385

	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

	Thousands of U.S. Dollars						
	2022						
	Reportable Segment						
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$33,931	$512,344	$653,820	$ 7,710	$1,207,805		$1,207,805
Intersegment sales or transfers	50,624		52	606	51,282	$ (51,282)	
Total	$84,555	$512,344	$653,872	$ 8,316	$1,259,087	$ (51,282)	$1,207,805
Segment profit (loss)	$ 8,879	$ 67,715	$ 78,430	$ (2,252)	$ 152,772	$ (23,181)	$ 129,591
Segment assets	59,858	316,225	602,685	3,517	982,285	178,812	1,161,097
Other:							
Depreciation	6,099	21,258	45,608	502	73,467	1,057	74,524
Increase in property, plant and equipment and intangible assets	7,840	27,495	130,319	407	166,061	3,110	169,171
Impairment losses of assets				970	970	2,365	3,335

Notes: 1. The amounts of "Reconciliations" for the year ended January 31, 2022, are as follows:

(1) The amount of "Reconciliations" for segment profit is ¥2,676 million ($23,181 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 ¥20,642 million ($178,812 thousand), this amount is corporate assets which are not allocable to the reportable segments.

(3) The amount of "Reconciliations" for depreciation of ¥122 million ($1,057 thousand) consists of depreciation of corporate assets.

(4) The "Reconciliations" of increase in property, plant and equipment and intangible assets of ¥359 million ($3,110 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, 2021, are as follows:

(1) The amount of "Reconciliations" for segment profit is ¥2,968 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 ¥13,287 million, this amount is corporate assets which are not allocable to the reportable segments.

(3) The amount of "Reconciliations" for depreciation of ¥135 million consists of depreciation of corporate assets.

(4) The "Reconciliations" of increase in property, plant and equipment and intangible assets of ¥67 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			
2022			
Japan	China	Other	Total
¥69,260	¥32,562	¥37,607	¥139,429

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

Thousands of U.S. Dollars			
2022			
Japan	China	Other	Total
$ 599,965	$ 282,069	$ 325,771	$1,207,805

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

(2) Property, plant and equipment (net)

Millions of Yen					
2022					
Japan	China	Europe	North America	Other	Total
¥34,842	¥12,907	¥3,714	¥3,809	¥3,081	¥58,353

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

Thousands of U.S. Dollars					
2022					
Japan	China	Europe	North America	Other	Total
$ 301,819	$111,807	$ 32,173	$ 32,995	$ 26,689	$ 505,483

(*b*) *Information about major customers*

Name of Customer	2022 Millions of Yen Sales	2022 Related Segment Name
TOYOTA MOTOR CORPORATION	¥36,944	Electrical Parts

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

Name of Customer	2022 Thousands of U.S. Dollars Sales	2022 Related Segment Name
TOYOTA MOTOR CORPORATION	$320,028	Electrical Parts

19. SUBSEQUENT EVENT

Transfer of non-current assets

At the Board of Directors held on March 14, 2022, it was resolved to transfer the land owned by the Company as follows.

a. Reason for transfer of non-current assets
In line with the policy of effective utilization of management resources and strengthening financial structure

b. Description of transferred assets
Classifications Land
Location Kumamoto, Japan

c. Date of transfer
March 30, 2022

d. Transferee
Regarding the transferee, we will refrain from disclosing it due to the agreement with the transferee.
There are no capital relationships, personal relationships, or business relationships between the transferee and the Group.

e. Impact of transfer on profit and loss
The Group plans to include ¥1,337 million ($11,582 thousand) in gain on sales of non-current assets under extraordinary income in the consolidated financial statements for the fiscal year ending January 31, 2023.

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