Detailed Consolidated Financial Statements

Years ended March 31, 2022 and 2021

ASAHI KASEI CORPORATION

Contents

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries

March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS:	2022	2021	2022
Current assets:			
Cash and deposits (Notes 9 and 11)	¥244,641	¥221,779	$1,998,538
Notes and accounts receivable–trade (Note 11)	—	338,640	—
Notes, accounts receivable – trade, and contract assets (Note 5(c))	434,595	—	3,550,323
Merchandise and finished goods	252,521	203,159	2,062,912
Work in process	146,120	166,494	1,193,693
Raw materials and supplies	141,608	111,798	1,156,834
Other	117,195	97,131	957,397
Allowance for doubtful accounts	(2,471)	(2,225)	(20,186)
Total current assets	1,334,209	1,136,776	10,899,510
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 5(e))	646,311	598,675	5,279,887
Accumulated depreciation	(333,966)	(319,144)	(2,728,257)
Buildings and structures, net	312,344	279,531	2,551,622
Machinery, equipment and vehicles (Note 5(e))	1,569,782	1,535,326	12,823,969
Accumulated depreciation	(1,288,462)	(1,286,057)	(10,525,790)
Machinery, equipment and vehicles, net	281,320	249,269	2,298,178
Land (Note 5(e))	69,567	70,577	568,311
Lease assets (Note 10)	8,679	8,615	70,901
Accumulated depreciation	(6,814)	(7,687)	(55,665)
Lease assets, net	1,865	928	15,236
Construction in progress	102,284	84,463	835,585
Other (Note 5(e))	159,312	182,414	1,301,462
Accumulated depreciation	(121,477)	(149,920)	(992,378)
Other, net	37,834	32,495	309,076
Subtotal	805,215	717,262	6,578,017
Intangible assets			
Goodwill	431,335	351,921	3,523,691
Other	405,508	342,454	3,312,703
Subtotal	836,843	694,374	6,836,394
Investments and other assets			
Investment securities (Notes 5(a), (b), 11 and 12)	246,701	286,517	2,015,366
Long-term loans receivable (Note 11)	6,227	1,241	50,870
Long-term advance payments-trade (Note 5(f))	30,432	29,390	248,607
Net defined benefit asset	1,193	—	9,746
Deferred tax assets (Note 15)	54,276	21,116	443,395
Other	34,404	32,709	281,055
Allowance for doubtful accounts	(426)	(445)	(3,480)
Subtotal	372,808	370,529	3,045,568
Total noncurrent assets	2,014,866	1,782,165	16,459,979
Total assets	¥3,349,075	¥2,918,941	$27,359,489

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2022	2021	Thousands of U.S. dollars (Note 1) 2022
Liabilities:			
Current liabilities:			
Notes and accounts payable–trade (Note 11)	¥178,092	¥142,087	$1,454,881
Short-term loans payable (Notes 11 and 22)	239,491	144,571	1,956,466
Commercial paper (Notes 11 and 22)	113,000	84,000	923,127
Lease obligations (Notes 10, 11 and 22)	2,224	880	18,168
Accrued expenses	146,275	126,705	1,194,960
Income taxes payable (Note 11)	58,115	21,268	474,757
Advances received	62,476	78,601	510,383
Provision for grant of shares	208	124	1,699
Provision for periodic repairs	4,738	7,222	38,706
Provision for product warranties	4,007	3,522	32,734
Provision for removal cost of property, plant and equipment	4,445	5,651	36,312
Other	110,778	88,533	904,975
Total current liabilities	923,850	703,163	7,547,178
Noncurrent liabilities:			
Bonds payable (Notes 11 and 22)	160,000	110,000	1,307,083
Long-term loans payable (Notes 11 and 22)	253,785	320,404	2,073,237
Lease obligations (Notes 10, 11 and 22)	8,715	3,921	71,195
Deferred tax liabilities (Note 15)	52,017	58,669	424,941
Provision for grant of shares	490	513	4,003
Provision for periodic repairs	5,396	3,415	44,081
Provision for removal cost of property, plant and equipment	12,298	12,652	100,466
Net defined benefit liability (Note 14)	152,081	158,832	1,242,390
Long-term guarantee deposits (Note 11)	22,490	21,939	183,727
Other	39,139	30,899	319,737
Total noncurrent liabilities	706,410	721,243	5,770,852
Total liabilities	1,630,260	1,424,406	13,318,030
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,393,932,032 shares	103,389	103,389	844,612
Capital surplus	79,887	79,641	652,618
Retained earnings (Note 8(b) (ii))	1,282,325	1,158,792	10,475,656
Treasury stock	(6,219)	(5,932)	(50,805)
(2022—6,640,935 shares, 2021—6,396,867 shares)			
Total shareholders' equity	1,459,381	1,335,890	11,922,073
Accumulated other comprehensive income			
Net unrealized gain on other securities	66,287	91,887	541,516
Deferred gains or losses on hedges	(341)	(347)	(2,786)
Foreign currency translation adjustment	167,225	50,462	1,366,106
Remeasurements of defined benefit plans	(5,142)	(10,416)	(42,006)
Total accumulated other comprehensive income	228,029	131,586	1,862,830
Non-controlling interests	31,405	27,058	256,556
Total net assets	1,718,815	1,494,535	14,041,459
Commitments and contingent liabilities (Notes 5(d) and 10)			
Total liabilities and net assets	¥3,349,075	¥2,918,941	$27,359,489

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales (Notes 17 and 18)	¥2,461,317	¥2,106,051	$20,107,156
Cost of sales (Note 6(c))	1,691,549	1,425,342	13,818,716
Gross profit	769,769	680,709	6,288,449
Selling, general and administrative expenses (Note 6(b))	567,122	508,901	4,632,971
Operating income (Note 18)	202,647	171,808	1,655,477
Non-operating income:			
Interest income	1,364	1,895	11,143
Dividends income	4,332	4,308	35,389
Equity in earnings of affiliates	8,878	3,451	72,527
Other	7,088	7,677	57,904
Total non-operating income	21,663	17,331	176,971
Non-operating expenses:			
Interest expense	3,643	3,209	29,761
Other	8,614	7,893	70,370
Total non-operating expenses	12,257	11,102	100,131
Ordinary income	212,052	178,036	1,732,309
Extraordinary income:			
Gain on sales of investment securities	26,545	17,312	216,853
Gain on sales of noncurrent assets (Note 6(d))	912	353	7,450
Insurance income	3,777	—	30,855
Gain on step acquisitions	1,700	—	13,888
Total extraordinary income	32,934	17,665	269,047
Extraordinary loss:			
Loss on valuation of investment securities	511	66	4,174
Loss on disposal of noncurrent assets (Note 6(e))	7,526	10,637	61,482
Impairment loss (Note 6(f))	6,811	1,937	55,641
Loss on fire at plant facilities (Note 6(g))	—	22,287	—
Loss on product compensation (Note 6(h))	—	2,118	—
Business structure improvement expenses (Notes 6(i))	15,017	7,750	122,678
Total extraordinary loss	29,866	44,795	243,983
Income before income taxes	215,121	150,906	1,757,381
Income taxes (Note 15) — current	93,046	73,273	760,118
— deferred	(41,759)	(4,465)	(341,140)
Total income taxes	51,287	68,808	418,977
Net income	163,834	82,098	1,338,404
Net income attributable to non-controlling interests	1,954	2,330	15,963
Net income attributable to owners of the parent	¥161,880	¥79,768	$1,322,441

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥163,834	¥82,098	$1,338,404
Other comprehensive income			
Net increase (decrease) in unrealized gain on other securities	(25,746)	24,806	(210,326)
Deferred gains or losses on hedges	5	(106)	41
Foreign currency translation adjustment	114,406	35,491	934,613
Remeasurements of defined benefit plans	5,403	12,631	44,139
Share of other comprehensive income of affiliates accounted for using equity method	3,599	3,020	29,401
Total other comprehensive income (Note 7)	97,668	75,842	797,876
Comprehensive income	¥261,502	¥157,941	$2,136,280
Comprehensive income attributable to:			
Owners of the parent	¥258,322	¥154,817	$2,110,301
Non-controlling interests	3,180	3,124	25,978

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2022 and 2021

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2021	¥103,389	¥79,641	¥1,158,792	¥(5,932)	¥1,335,890	¥91,887	¥(347)	¥50,462	¥(10,416)	¥131,586	¥27,058	¥1,494,535
Cumulative effects of changes in accounting policies			9,212		9,212							9,212
Restated balance	103,389	79,641	1,168,004	(5,932)	1,345,102	91,887	(347)	50,462	(10,416)	131,586	27,058	1,503,747
Changes during the fiscal year												
Dividends from surplus			(47,187)		(47,187)							(47,187)
Net income attributable to owners of the parent			161,880		161,880							161,880
Purchase of treasury stock				(412)	(412)							(412)
Disposal of treasury stock		0		125	125							125
Transfer from retained earnings to capital surplus					–							–
Change of scope of consolidation			(371)		(371)							(371)
Capital increase of consolidated subsidiaries		245			245							245
Net changes of items other than shareholders' equity						(25,600)	5	116,763	5,274	96,443	4,347	100,789
Total changes of items during the period	–	245	114,321	(287)	114,279	(25,600)	5	116,763	5,274	96,443	4,347	215,069
Balance at March 31, 2022	¥103,389	¥79,887	¥1,282,325	¥(6,219)	¥1,459,381	¥66,287	¥(341)	¥167,225	¥(5,142)	¥228,029	¥31,405	¥1,718,815

	Millions of yen											
	Shareholders’ equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders’ equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2020	¥103,389	¥79,641	¥1,125,738	¥(5,990)	¥1,302,777	¥67,027	¥(241)	¥13,027	¥(23,275)	¥56,538	¥24,145	¥1,383,460
Changes during the fiscal year												
Dividends from surplus			(45,800)		(45,800)							(45,800)
Net income attributable to owners of the parent			79,768		79,768							79,768
Purchase of treasury stock				(10)	(10)							(10)
Disposal of treasury stock		(0)		69	69							69
Transfer from retained earnings to capital surplus		0	(0)		–							–
Change of scope of consolidation			(914)		(914)							(914)
Capital increase of consolidated subsidiaries		0			0							0
Net changes of items other than shareholders' equity						24,860	(106)	37,434	12,859	75,049	2,913	77,962
Total changes of items during the period	–	0	33,054	59	33,113	24,860	(106)	37,434	12,859	75,049	2,913	111,075
Balance at March 31, 2021	¥103,389	¥79,641	¥1,158,792	¥(5,932)	¥1,335,890	¥91,887	¥(347)	¥50,462	¥(10,416)	¥131,586	¥27,058	¥1,494,535

	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
Balance at March 31, 2021	$844,612	$650,609	$9,466,481	$(48,460)	$10,913,242	$750,649	$(2,835)	$412,238	$(85,091)	$1,074,961	$221,044	$12,209,256
Cumulative effects of changes in accounting policies			$75,255		75,255							75,255
Restated balance	844,612	650,609	9,541,737	(48,460)	10,988,498	750,649	(2,835)	412,238	(85,091)	1,074,961	221,044	12,284,511
Changes during the fiscal year												
Dividends from surplus			(385,483)		(385,483)							(385,483)
Net income attributable to owners of the parent			1,322,441		1,322,441							1,322,441
Purchase of treasury stock				(3,366)	(3,366)							(3,366)
Disposal of treasury stock		0		1,021	1,021							1,021
Transfer from retained earnings to capital surplus					–							–
Change of scope of consolidation			(3,031)		(3,031)							(3,031)
Capital increase of consolidated subsidiaries		2,001			2,001							2,001
Net changes of items other than shareholders' equity						(209,133)	41	953,868	43,085	787,869	35,512	823,372
Total changes of items during the period	–	2,001	933,919	(2,345)	933,576	(209,133)	41	953,868	43,085	787,869	35,512	1,756,956
Balance at March 31, 2022	$844,612	$652,618	$10,475,656	$(50,805)	$11,922,073	$541,516	$(2,786)	$1,366,106	$(42,006)	$1,862,830	$256,556	$14,041,459

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥215,121	¥150,906	$1,757,381
Depreciation and amortization	119,738	108,369	978,172
Impairment loss	6,811	1,937	55,641
Amortization of goodwill	28,391	24,903	231,934
Increase in provision for grant of shares	60	148	490
(Decrease) increase in provision for periodic repairs	(502)	2,033	(4,101)
Increase (decrease) in provision for product warranties	233	(221)	1,903
(Decrease) increase in provision for removal cost of property, plant and equipment	(1,562)	9,891	(12,760)
Decrease in net defined benefit liability	(2,939)	(4,303)	(24,009)
Interest and dividend income	(5,696)	(6,202)	(46,532)
Interest expense	3,643	3,209	29,761
Equity in earnings of affiliates	(8,878)	(3,451)	(72,527)
Gain on sales of investment securities	(26,545)	(17,312)	(216,853)
Loss on valuation of investment securities	511	66	4,174
Gain on sale of property, plant and equipment	(912)	(353)	(7,450)
Loss on disposal of noncurrent assets	7,526	10,637	61,482
Decrease in notes and accounts receivable–trade	—	5,214	—
Increase in notes and accounts receivable-trade, and contract assets	(45,911)	—	(375,059)
(Increase) decrease in inventories	(73,257)	6,110	(598,456)
Increase in notes and accounts payable–trade	21,392	1,706	174,757
Increase in accrued expenses	10,184	1,371	83,196
Increase in advances received	10,546	8,190	86,153
Other, net	(19,112)	15,896	(156,131)
Subtotal	238,843	318,744	1,951,172
Interest and dividend income~~,~~ received	7,212	8,690	58,917
Interest expense paid	(3,647)	(3,086)	(29,793)
Income taxes paid	(59,137)	(70,672)	(483,106)
Net cash provided by operating activities	183,271	253,676	1,497,190
Cash flows from investing activities:			
Payments into time deposits	(3,267)	(6,262)	(26,689)
Proceeds from withdrawal of time deposits	7,224	4,333	59,015
Purchase of property, plant and equipment	(142,256)	(133,347)	(1,162,127)
Proceeds from sales of property, plant and equipment	1,280	656	10,457
Purchase of intangible assets	(27,452)	(16,945)	(224,263)
Purchase of investment securities	(5,805)	(8,061)	(47,423)
Proceeds from sales of investment securities	33,437	20,264	273,156
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(80,912)	(4,811)	(660,992)
Payments for transfer of business	—	(17,566)	—
Payments of loans receivable	(6,102)	(6,144)	(49,849)
Collection of loans receivable	2,782	10,428	22,727
Other, net	52	(297)	425
Net cash used in investing activities	¥(221,019)	¥(157,751)	$(1,805,563)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	65,632	(168,641)	536,165
Increase (decrease) in commercial paper	29,000	(55,000)	236,909
Proceeds from long-term loans payable	896	143,467	7,320
Repayment of long-term loans payable	(51,094)	(16,936)	(417,401)
Proceeds from issuance of bonds payable	50,000	50,000	408,463
Repayments of lease obligations	(2,298)	(1,226)	(18,773)
Purchase of treasury stock	(412)	(10)	(3,366)
Proceeds from disposal of treasury stock	125	69	1,021
Cash dividends paid	(47,187)	(45,800)	(385,483)
Cash dividends paid to non-controlling interests	(2,190)	(1,198)	(17,891)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(307)	—
Other, net	(152)	(287)	(1,242)
Net cash provided by (used in) financing activities	42,321	(95,869)	345,732
Effect of exchange rate change on cash and cash equivalents	21,027	9,639	171,775
Net increase in cash and cash equivalents	25,600	9,695	209,133
Cash and cash equivalents at beginning of year	216,235	204,771	1,766,481
Increase in cash and cash equivalents resulting from changes in scope of consolidation	1,112	1,769	9,084
Cash and cash equivalents at end of year (Note 9)	¥242,948	¥216,235	$1,984,707

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Asahi Kasei Corporation and Consolidated Subsidiaries

1. Major policies for preparing the consolidated financial statements

The consolidated financial statements, which are filed with the prime minister of Japan as required by the Financial Instruments and Exchange Act in Japan, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are a translation of those filed with the prime minister of Japan and incorporate certain modifications to enhance foreign readers' understanding of the consolidated financial statements. In addition, the notes to the consolidated financial statements include certain financial information which is not required under the disclosure regulations in Japan, but is presented herein as additional information.

The U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of readers. These translations should not be construed as representations that the Japanese yen amounts actually represent, have been, or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥122.41=US$1 prevailing on March 31, 2022, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 273 subsidiaries (228 subsidiaries at March 31, 2021, hereinafter collectively referred to as the "Company") which, with minor exceptions due to immateriality, represent all of the parent company's majority or wholly owned companies, including 7 core operating companies (Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Pharma Corp., Asahi Kasei Medical Co., Ltd., ZOLL Medical Corporation, and Veloxis Pharmaceuticals, Inc.). Material inter-company transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and 20% to 50% owned companies in which the Company exercises significant influence are accounted for, with minor exceptions due to immateriality, using the equity method of accounting. There were 45 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2022 (62 at March 31, 2021), including Asahi Kasei Networks Corporation and Asahi Yukizai Corporation.

The financial results of certain subsidiaries with fiscal year ending December 31 are included in the consolidated financial statements. Material differences in inter-company transactions and accounts through to March 31 are appropriately adjusted for as part of the consolidation process.

All assets and liabilities of acquired companies are measured at their fair values and any difference between the net assets and the cost of investment is recognized as goodwill. Goodwill is amortized using the straight-line method over a reasonable period during which its effects would last, with the exception of minor amounts which are charged to income as incurred.

2. Significant accounting policies

(a) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash, and therefore present an insignificant risk of changes in value.

(b) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. Residential lots and dwellings for sale are stated at specifically identified costs.

(c) Noncurrent assets and depreciation/amortization

Property, plant and equipment (except for lease assets) are stated at cost. Significant renewals and improvements are capitalized at cost, while maintenance and repairs are charged to income as incurred. Depreciation is provided for under the straight-line method, at rates based on estimated useful lives of the assets, principally ranging from 7 to 60 years for buildings and from 2 to 22 years for machinery and equipment and vehicles.

Intangible fixed assets (except for lease assets), including software for internal use, are mainly amortized using the straight-line method over the estimated useful lives of the assets. The estimated useful life of software for internal use is mainly 5 years.

Lease assets (financing lease transactions without title transfer) are depreciated/amortized on a straight-line basis over the period of the lease with no residual value.

(d) Significant allowances

i) Allowance for doubtful accounts

Estimates of the unrecoverable portion of receivables, generally based on historical rates and for specific receivables of particular concern based on individual estimates of recoverability, are recognized as allowance for doubtful accounts.

ii) Provision for grant of shares

To record the grant of shares to Directors, etc., in accordance with Share Grant Regulations, the provision for grant of shares is recorded based on an estimate of grant of shares liabilities as of the closing date of the fiscal year.

iii) Provision for periodic repairs

The portion of foreseeable periodic repair expenses deemed to correspond to normal wear and tear of plant and equipment as of the closing date of the fiscal year is recognized as provision for periodic repairs.

iv) Provision for product warranties

Estimates of product warranty expenses based on historical rates are recognized as provision for product warranties.

v) Provision for removal cost of property, plant and equipment

Provision for removal cost of property, plant and equipment is recorded based on estimated future removal cost of property, plant and equipment at the end of each fiscal year.

(e) Accounting for retirement benefits

i) Method of attributing expected retirement benefits to each period

In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period based on a benefit formula basis.

ii) Accounting for actuarial gains/losses and prior service costs

Actuarial gains/losses are amortized using the straight-line method from the fiscal year following their accrual over a certain period (mainly 10 years) within the average remaining service period of employees at the time of accrual. Prior service costs are amortized using the straight-line method over a certain period (mainly 10 years) within the average remaining service period of employees at the time of accrual.

iii) Adoption of the simplified method

In calculating expected defined benefit liability and periodic retirement benefit expenses, certain consolidated subsidiaries have adopted the simplified method. Under this method, the expected defined benefit liability is recorded at the severance payment amount to be required should all employees retire voluntarily at fiscal year end.

(f) Significant revenue and expense recognition

The company’s main operations are the sale of products, undertaking of construction, and provision of services, etc., in the Material, Homes, and Health Care segments. Regarding the sale of products, performance obligations are satisfied when the customer gains control of the product at the time the product is transferred to the customer, so revenue is recognized at such time. However, in the case of domestic sale when there is a normal period between the time of shipment and the time of transfer of control of the product to the customer, revenue is recognized at the time of shipment. Regarding the undertaking of construction and the provision of services, in the case of performance obligations being satisfied by meeting conditions over a certain period of time, revenue is recognized over such period of time. Measurement of the progress toward satisfaction of performance obligations of contracted construction is based on the proportion of the total foreseen construction cost which is incurred by the closing date of each financial period. Revenue is determined as the amount within the scope where there is a high probability that there will be no significant decrease from the consideration promised in a contract with the customer due to deduction by product return, discount, rebate, etc. As consideration for transactions are mainly collected within 1 year from fulfillment of performance obligations, no significant financing components are included.

(g) Financial instruments

i) Securities

Securities are classified into four categories: trading securities, held-to-maturity debt securities, equity securities of unconsolidated subsidiaries and affiliates, and other securities. At March 31, 2022 and 2021, the Company did not have trading securities or held-to-maturity debt securities. Equity securities of unconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to immateriality, using the equity method of accounting.

Other securities which do not have market price in active market are stated at cost. In cases where any significant decline in the realizable value is assessed to be other than temporary, the cost of other securities is devalued by the impaired amount and is charged to income. Realized gains and losses are determined using the average cost method and are reflected in the consolidated income statements. Other securities other than above are carried at fair value with net unrealized gains or losses, net of income taxes, being included as a component of net assets.

ii) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are recognized in the period in which they arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of these qualifying hedges are deferred as “Deferred gains or losses on hedges” until being offset against gains or losses of the underlying hedged assets and liabilities.

(h) Taxes

Accrued income taxes are stated at the estimated amount of payables for corporation, enterprise, and inhabitant taxes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

The Company has elected to file its return under the consolidated tax filing system in Japan. Transactions subject to consumption taxes are recorded at amounts net of consumption taxes.

Application of Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and certain domestic consolidated subsidiaries will transfer from the consolidated taxation system to the group tax sharing system from the fiscal year ending March 31, 2023. However, with regard to the items for which a review of the non-consolidated taxation system was made in accordance with the transition to the group tax sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and the transition to the group tax sharing system, pursuant to the treatment of paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39), the provisions of paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28) do not apply to the Company and certain domestic consolidated subsidiaries, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment. From the beginning of the fiscal year ending March 31, 2023, the Company and certain domestic consolidated subsidiaries will apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case of applying the group tax sharing system.

(i) Translation of foreign currencies

Foreign currency receivables and payables are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are charged to income for the period.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at fiscal year-end exchange rates, and income and expenses of same are translated into Japanese yen at the average exchange rate for the fiscal year. Shareholders’ equity of foreign subsidiaries is translated into Japanese yen at the historical exchange rates. The translation differences in Japanese yen amounts arising from the use of different rates are recognized as foreign currency translation adjustments in the consolidated balance sheets. A portion of the foreign currency translation adjustment is allocated to non-controlling interests and the Company’s portion is presented as a separate component of net assets in the consolidated balance sheets.

3. Significant Accounting Estimates

(a) Assessment of whether impairment indicators exist for goodwill as it relates to the acquisition of Polypore International, LP

i) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022 and 2021

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2022	2021	2022
Goodwill recognized from acquisition of Polypore International, LP	¥125,533	¥121,996	$1,025,513

ii) Information on the nature of significant accounting estimates for identified items

The Company assesses the impairment indicators, recognition and measurement of impairment loss on goodwill based on a larger unit that consists of an asset group related to the business together with goodwill. The Company assessed whether impairment indicators exist in the asset group of the Separator business under the Material segment (refer to Note 18) to which Polypore International, LP's goodwill belongs, based on the following facts and circumstances.

・Whether or not the asset group's performance falls into the category of "consistent negative operating results", specified in the accounting standards as an impairment indicator.

・Whether or not there are significant differences between assumptions for the size and timing of expansion of the market growth for eco-friendly cars on which the latest business plan is based, compared to that used at the time of the acquisition.

The Company supplies both wet-process and dry-process separators for lithium-ion batteries, including the product line of Polypore International, LP, and expects to create synergies especially in the area of lithium-ion battery applications for eco-friendly cars such as hybrid vehicles and electric vehicles, for which continued demand growth is forecast. The business plan for the Separator business, to which the goodwill of Polypore International, LP belongs, assumes rapid expansion of the market for eco-friendly cars through 2025, and the sales and operating income of the Separator business will increase accordingly. In addition, the goodwill balance recognized from the acquisition of Polypore International, LP, which is recorded in the Separator business, is the most monetarily significant of the total goodwill balance of ¥431,335 million (US$3,523,691 thousand) recorded in the consolidated balance sheets for the current fiscal year.

The Company has concluded that no impairment indicators existed for the goodwill balance as it relates to the acquisition of Polypore International, LP, as the performance of the Separator business has not fallen into the category of "consistent negative operating results" during the current fiscal year, and also assumptions regarding the scale and timing of the expansion of the eco-friendly car market, which form the basis of the latest business plan, have not significantly diverged from those at the time of the acquisition.

Since the eco-friendly car market is a growing market with rapidly evolving technology and intensifying competition, sales and operating income projections in the business plan may not be achieved if management is not able to respond to unexpected changes in the business environment appropriately. If there is a change in the assumed situation, an impairment indicator may be identified.

4. Changes in significant accounting policies

(a)Changes in accounting policies

i. Application of Accounting Standard for Revenue Recognition, etc.

Accounting Standards Board of Japan (ASBJ) Statement No. 29 "Accounting Standard for Revenue Recognition" and other standards are applied from the beginning of the fiscal year ended March 31, 2022, whereby revenue is recognized in the amount foreseeable to be received in exchange for goods or services at the time control of promised goods or services is transferred to the customer.

Accordingly, the method of revenue recognition for contracted construction is changed, mainly in the Homes segment. Whereas previously the completed-contract method was applied to works whose outcome lacked certainty, this is changed to recognizing revenue over a certain period when conditions of performance obligations are fulfilled over a certain period. Measurement of progress related to fulfilment of performance obligations is based on the proportion of the total foreseen construction cost which is incurred by the closing date of each financial period.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales, cost of sales, and selling, general and administrative expenses each decreased, by ¥48,666 million (US$397,566 thousand), ¥49,860 million (US$407,320 thousand), and ¥34 million(US$278 thousand), respectively, and operating income, ordinary income, and income before income taxes each increased by ¥1,227 million (US$10,024 thousand) during the fiscal year ended March 31, 2022. Retained earnings at the beginning of the period increased by ¥9,212 million (US$75,255 thousand).

Due to the application of the Accounting Standard for Revenue Recognition, “notes and accounts receivable–trade” as reported in the previous fiscal year as part of current assets in the consolidated balance sheets are now included in “notes, accounts receivable–trade, and contract assets” from the beginning of the fiscal year ended March 31, 2022, while “decrease in notes and accounts receivable–trade” as reported in the previous fiscal year under cash flows from operating activities in the consolidated statements of cash flows is included in “increase in notes, accounts receivable–trade, and contract assets” from the beginning of the fiscal year ended March 31, 2022. In accordance with paragraph 89-2 of the Accounting Standard for Revenue Recognition regarding transitional treatment, results for the previous fiscal year are not remeasured using the new method.

In accordance with the transitional treatment set forth in paragraph 89-3 of the Accounting Standard for Revenue Recognition, information relating to the previous consolidated fiscal year is not stated in the note of “Revenue recognition”.

ii. Application of Accounting Standard for Fair Values Measurement, etc.

ASBJ Statement No. 30 “Accounting Standard for Fair Values Measurement” and other standards are applied from the beginning of the fiscal year ended March 31, 2022. In accordance with paragraph 19 of the Accounting Standard for Fair Values Measurement and paragraph 44-2 of ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” regarding transitional treatment, the new accounting policy is to be applied prospectively. Whereas certain equity securities and certain long-term loans receivable, which were deemed to be financial instruments whose fair values were extremely difficult to determine, had been reflected on the consolidated balance sheets at their acquisition cost, they are now reflected on the consolidated balance sheets at their fair values measured by significant unobservable inputs based on the best information available, even when observable inputs are unavailable. The effect on the consolidated financial statements is immaterial.

In addition, notes including matters related to the breakdown of the financial instruments by level are made in notes of “Financial instruments”.

In accordance with the transitional treatment stipulated in paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Values of Financial Instruments (ASBJ Guidance No. 19), the notes relating to the previous consolidated fiscal year are not stated.

(b) Accounting Standards issued but not yet applied

1 For the Company and domestic consolidated subsidiaries:

Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement, etc.

The ASBJ issued ASBJ Guidance No. 31 “Implementation Guidance on Accounting Standard for Fair Value Measurement.” The method of measurement of the fair value of mutual funds and the handling of the notes thereto, and the handling of notes on the fair value of investments in partnerships, etc., reported in the net amount equivalent to equity in the balance sheets, have been determined. The Company will apply the standard and guidance from the beginning of the fiscal year ending March 31, 2023. The application of this standard has no effect on the consolidated financial statements.

2 For subsidiaries that apply US GAAP:

Leases (Topic 842, ASU No. 2016-02)

The Financial Accounting Standards Board (FASB) issued “Accounting Standards Update No. 2016-02, Leases (Topic 842).” This accounting standard requires a lessee to recognize all leases as assets and liabilities on the balance sheet. The Company will apply the standard and guidance from the beginning of the fiscal year ending March 31, 2023. At the time of the preparation of the consolidated financial statements, the effects of adoption are being assessed.

(c) Changes in presentation

i) Consolidated Statements of Income

In the fiscal year ended March 31, 2022, insurance income had previously been reported separately, became 10% or less of total non-operating income, and is included in others under non-operating income. The consolidated statements of income for the fiscal year ended March 31, 2021, have been reclassified accordingly, resulting in insurance income of ¥2,618 million being included in others under non-operating expenses.

(d) Additional Information

Assumptions regarding effect of COVID-19 on accounting estimates

Although it is difficult to predict when the impact of COVID-19 will subside, the Company assumes that the global economic activity will generally recover toward the second half of the fiscal year ending March 31, 2023, and has made accounting estimates accordingly regarding impairment of noncurrent assets, recoverability of deferred tax assets, etc. It is based on the assumption that the with-corona policy, which aims to be compatible with economic activity, becomes more widespread against the backdrop of the global spread of vaccination and the evolution of treatment methods, and that the supply chain disruption caused by the lockdown of the zero-corona policy in China will begin to improve in the second half of the period.

There are many uncertainties regarding the impact of COVID-19, and if changes occur in the aforementioned assumptions, the financial position and operating results may be affected from the next consolidated fiscal year onwards.

5. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2022 and 2021, amounted to ¥107,794 million (US$880,598 thousand) and ¥112,102 million, respectively. Included in those amounts are investments in joint ventures of ¥66,452 million (US$542,864 thousand) and ¥61,567 million, respectively.

(b) Pledged assets and secured debt

Cash and deposits pledged as collateral for bank guarantees at March 31, 2022 and 2021, were ¥390 million (US$3,186 thousand) and ¥353 million, respectively. Investment securities pledged to suppliers as transaction guarantees at March 31, 2022 and 2021, were ¥55 million (US$499 thousand) and ¥55 million, respectively. ¥5,210 million (US$42,562 thousand) of Buildings and structures, and ¥2,502 million (US$20,440 thousand) of Merchandise and finished goods were pledged as collateral for bank guarantees at March 31, 2022, these collaterals were released on April 6, 2022 and on April 8, 2022, respectively.

(c) Notes, accounts receivable–trade, and contract assets

Amounts of receivables and contract assets arising from contracts with customers included in Notes, accounts receivable–trade, and contract assets at March 31, 2022, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Notes receivable－trade	¥20,851	$170,337
Accounts receivable－trade	373,013	3,047,243
Contract assets	35,840	292,787

(d) Contingent liabilities

Contingent liabilities at March 31, 2022 and 2021, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loans guaranteed	¥38,110	¥35,669	$311,331
Total	¥38,110	¥35,669	$311,331

(e) Deferred gain on property, plant and equipment deducted for tax purposes

The accumulated reduced-value entries, which are directly deducted from property, plant and equipment, as of March 31, 2022 and 2021, were , ¥18,769 million (US$153,329 thousand) and ¥12,494 million, respectively.

The breakdown of reduced-value entries as of March 31, 2022 and 2021, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings and structures	¥3,809	¥3,916	$31,117
Machinery, equipment and vehicles	14,683	8,262	119,949
Land	167	167	1,364
Other	110	149	899
Total	¥18,769	¥12,494	$153,329

(f) Long-term advance payments–trade

The Company has concluded long-term purchase contracts with raw materials manufacturers, to ensure the stable procurement of nylon raw materials. Advance payments have been made for a part of it in accordance with the contracts.

6. Notes to Consolidated Statements of Income

(a) Revenue from contracts with customer

Net sales are not broken down into revenue from contracts with customers and other revenue. Amounts of revenue from contracts with customers are shown in the note of “Revenue recognition”.

(b) Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Salaries and benefits	¥228,416	¥205,671	$1,865,991
Research and development*	71,496	61,527	584,070

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2022 and 2021, were ¥98,693 million (US$806,249 thousand) and ¥89,745 million, respectively.

(c) Gain or loss on valuation of inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. (Gain) loss on valuation of inventories for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	¥474	¥(689)	$3,872

(d) Gain on sales of noncurrent assets

Major components of gain on sales of noncurrent assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Land	¥239	¥234	$1,952
Machinery	590	91	4,820
Other	83	28	678

(e) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2022 and 2021, was primarily loss on abandonment and sale of machinery and equipment. The abandonment and sale of machinery and equipment were performed under a single, all-inclusive contract for each facility.

(f) Impairment loss

Major components of impairment losses for the years ended March 31, 2022 and 2021, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars	Item on the Consolidated Statements of Income
			2022	2021	2022	
Production facility for battery materials	Machinery and equipment, etc.	Indiana, U.S.A.	¥—	¥2,128	$—	Business structure improvement expenses
Production facility for synthetic resin coatings raw materials	Machinery and equipment, etc.	Gobo, Wakayama	—	1,008	—	Business structure improvement expenses
Production facility for plastic raw materials	Machinery and equipment, etc.	Jurong Island, Singapore	—	665	—	Impairment loss
Production facility for nonwoven fabrics	Buildings, etc.	Nobeoka, Miyazaki	—	477	—	Business structure improvement expenses
Goodwill related to lining processing business	Goodwill, etc.	—	—	406	—	Impairment loss
Production facility for nonwoven fabrics	Buildings, etc.	Nobeoka, Miyazaki	—	236	—	Impairment loss
Office assets	Buildings, etc.	Naka-ku, Nagoya, Aichi, etc.	—	209	—	Impairment loss
Production facility for textile products	Machinery and equipment, etc.	San Luis Potosí, Mexico	—	178	—	Business structure improvement expenses
Production facility for pharmaceutical products	Machinery and equipment, etc.	Fuji, Shizuoka	—	130	—	Impairment loss
Others	Machinery and equipment, etc.	Kawasaki-ku, Kawasaki, Kanagawa, etc.	—	377	—	Impairment loss and business structure improvement expenses
Technology-related assets related to new electronics component business	Other intangible assets, etc.	Fuji, Shizuoka, etc.	2,773	—	22,653	Impairment loss
Production facility for synthetic fibers	Machinery and equipment, etc.	Moriyama, Shiga, etc.	2,264	—	18,495	Impairment loss
Employee dormitory	Buildings, etc.	Nobeoka, Miyazaki, etc.	370	—	3,023	Impairment loss
Processing facility for fiber products	Buildings, etc.	Fujiyoshida, Yamanashi	299	—	2,443	Impairment loss
R&D facility	Buildings, etc.	Kawasaki-ku, Kawasaki, Kanagawa	294	—	2,402	Impairment loss
Office assets	Buildings, etc.	Chiyoda-ku, Tokyo, etc.	282	—	2,304	Impairment loss
Processing test facility for fiber products	Machinery and equipment, etc.	Nobeoka, Miyazaki	260	—	2,124	Impairment loss
Production facility for functional chemicals	Machinery and equipment, etc.	Osaka, Osaka, etc.	195	—	1,593	Business structure improvement expenses
Underground waste storage facility	Structures, etc.	Hyuga, Miyazaki, etc.	176	—	1,438	Impairment loss
Others	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	362	—	2,957	Impairment loss and business structure improvement expenses

Grouping of operating assets is based on managerial accounting categories, with consideration given to production process, geographic location, and domain of authority for making investment decisions. Idle assets are recorded separately in each fixed assets class.

The book value of technology assets related to new electronic component business, production facility for synthetic fibers, processing facility for fiber products, and underground waste storage facility was reduced to the recoverable amount due to diminished profitability. The recoverable amount of these assets was measured by value in use, which was measured by discounting future cash flows at a discount rate of 6.0%, other than for those assets whose cash flows are estimated to be negative, for which have a recoverable amount of zero has been used.

The book value of employee dormitory, R&D facility, office assets, processing test facility for fiber products, and production facility for specialty chemicals was reduced to zero due to the lack of prospects for future use. Among the extraordinary losses under Others, ¥270 million (US$2,206 thousand) and ¥85 million were recorded under business structure improvement expenses for the years ended March 2022 and 2021, respectively.

(g) Loss on fire at plant facilities

Breakdown of the loss due to a fire that occurred on October 20, 2020, at the semiconductor manufacturing plant of Asahi Kasei Microdevices Corp., a consolidated subsidiary of the Company, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loss on destruction of noncurrent assets and inventories, etc.	¥—	¥12,634	$—
Expenses to dispose noncurrent assets, etc.	—	7,017	—
Other related expenses	—	4,569	—
Insurance income	—	(1,933)	—

(h) Loss on product compensation

Loss on product compensation was recorded due to the occurrence of quality defects in some of the customers' final products which incorporated electronic components that were manufactured and sold by the Company in the past.

(i) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Impairment of fixed assets	¥465	¥3,877	$3,799
Additional payment of retirement benefits due to application of early retirement, etc.	3,015	711	24,630
Loss on disposal and devaluation of inventory and others	11,538	3,162	94,257

7. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized gain on other securities			
Changes during the fiscal year	¥(10,897)	¥52,903	$(89,021)
Recycling adjustment	(26,145)	(17,230)	(213,585)
Pre-tax effect	(37,042)	35,674	(302,606)
Tax effect	11,296	(10,868)	92,280
Net unrealized gain on other securities	(25,746)	24,806	(210,326)
Deferred gains or losses on hedges			
Changes during the fiscal year	1,029	(220)	8,406
Recycling adjustment	427	29	3,488
Adjustment on the acquisition cost of assets	(1,499)	—	(12,246)
Pre-tax effect	(43)	(191)	(351)
Tax effect	48	85	392
Deferred gains or losses on hedges	5	(106)	41
Foreign currency translation adjustment			
Changes during the fiscal year	114,406	35,467	934,613
Recycling adjustment	—	24	—
Foreign currency translation adjustment	114,406	35,491	934,613
Remeasurements of defined benefit plans			
Changes during the fiscal year	4,169	11,058	34,058
Recycling adjustment	3,565	7,048	29,123
Pre-tax effect	7,733	18,106	63,173
Tax effect	(2,330)	(5,476)	(19,034)
Remeasurements of defined benefit plans	5,403	12,631	44,139
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	3,707	3,120	30,283
Recycling adjustment	(107)	(100)	(874)
Share of other comprehensive income of affiliates accounted for using equity method	3,599	3,020	29,401
Total other comprehensive income	¥97,668	¥75,842	$797,876

8. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2022

(a) Class and total number of issued and outstanding shares and treasury stock

	Thousands of shares			
	Number of shares as of March 31, 2021	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2022
Issued and outstanding shares				
Common stock	1,393,932	—	—	1,393,932
Total	1,393,932	—	—	1,393,932
Treasury stock				
Common stock (*1,2,3)	6,397	341	97	6,641
Total	6,397	341	97	6,641

(*1)The increase of 341 thousand shares in common stock of treasury stock was primarily attributable to the purchase of 330 thousand shares by the trust for granting shares to Directors, etc., and the purchase of 11 thousand shares in quantities of less than one share unit.

(*2)The decrease of 97 thousand shares in common stock of treasury stock was primarily attributable to the disposal of 96 thousand shares by the trust for granting shares to Directors, etc., and the sale of 1 thousand shares in quantities of less than one share unit.

(*3)The number of shares of treasury stock as of March 31, 2022, includes 561 thousand shares held by the trust for granting shares to Directors, etc.

(b) Dividends

i) Cash dividends paid

1) The following was resolved by the Board of Directors on May 13, 2021.

Dividends for common stock

Total dividends	¥23,594 million (US$192,746 thousand)
Dividend per share	¥17.00 (US$0.14)
Date of record	March 31, 2021
Payment date	June 3, 2021

Note: Total dividends includes ¥6 million (US$49 thousand) for shares held by the trust for granting shares to Directors, etc.

2) The following was resolved by the Board of Directors on Nov 5, 2021.

Dividends for common stock

Total dividends	¥23,594 million (US$192,746 thousand)
Dividend per share	¥17.00 (US$0.14)
Date of record	September 30, 2021
Payment date	December 2, 2021

Note: Total dividends includes ¥7 million (US$57 thousand) for shares held by the trust for granting shares to Directors, etc.

ii) Dividends for which the date of record falls within the fiscal year under review but the payment date occurs in the following fiscal year

The following was resolved by the Board of Directors on May 13, 2022.

Dividends for common stock

Total dividends	¥23,593 million (US$192,738 thousand)
Source of dividends	Retained earnings
Dividend per share	¥17.00 (US$0.14)
Date of record	March 31, 2022
Payment date	June 2, 2022

Note: Total dividends includes ¥10 million (US$82 thousand) for shares held by the trust for granting shares to Directors, etc.

For the year ended March 31, 2021

(a) Class and total number of issued and outstanding shares and treasury stock

	Thousands of shares			
	Number of shares as of March 31, 2020	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2021
Issued and outstanding shares				
Common stock	1,393,932	—	—	1,393,932
Total	1,393,932	—	—	1,393,932
Treasury stock				
Common stock (*1,2,3)	6,440	10	53	6,397
Total	6,440	10	53	6,397

(*1) The increase of 10 thousand shares in common stock of treasury stock was primarily attributable to the purchase of 10 thousand shares in quantities of less than one share unit.

(*2) The decrease of 53 thousand shares in common stock of treasury stock was primarily attributable to the disposal of 53 thousand shares by the trust for granting shares to Directors, etc., and the sale of 1 thousand shares in quantities of less than one share unit.

(*3) The number of shares of treasury stock as of March 31, 2021, includes 327 thousand shares held by the trust for granting shares to Directors, etc.

(b) Dividends

i) Cash dividends paid

1) The following was resolved by the Board of Directors on May 22, 2020.

Dividends for common stock

Total dividends	¥22,206 million
Dividend per share	¥16.00
Date of record	March 31, 2020
Payment date	June 10, 2020

Note: Total dividends includes ¥6 million for shares held by the trust for granting shares to Directors, etc.

2) The following was resolved by the Board of Directors on Nov 6, 2020.

Dividends for common stock

Total dividends	¥23,594 million
Dividend per share	¥17.00
Date of record	September 30, 2020
Payment date	December 1, 2020

Note: Total dividends includes ¥6 million for shares held by the trust for granting shares to Directors, etc.

ii) Dividends for which the date of record falls within the fiscal year under review but the payment date occurs in the following fiscal year

The following was resolved by the Board of Directors on May 13, 2021.

Dividends for common stock

Total dividends	¥23,594 million
Source of dividends	Retained earnings
Dividend per share	¥17.00
Date of record	March 31, 2021
Payment date	June 2, 2022

Note: Total dividends includes ¥6 million for shares held by the trust for granting shares to Directors, etc.

9. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2022 and 2021, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and deposits	¥244,641	¥221,779	$1,998,538
Time deposits with deposit term of over 3 months	(1,694)	(5,543)	(13,839)
Cash and cash equivalents	¥242,948	¥216,235	$1,984,707

(b) Assets and liabilities of newly acquired business For the year ended March 31, 2021

Assets and liabilities of acquired business (Adient plc’s automotive fabric business) and net cash outflow for such acquisition is as follows:

	Millions of yen
Current assets	¥6,012
Noncurrent assets	11,956
Goodwill	4,799
Current liabilities	(4,291)
Noncurrent liabilities	(451)
Acquisition cost of business	18,025
Cash and cash equivalents	(460)
Net cash used for acquisition	17,566

(c) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

For the year ended March 31, 2022

Assets and liabilities of acquired company (Respicardia, Inc.) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥408	$3,333
Noncurrent assets	16,185	132,220
Goodwill	14,362	117,327
Current liabilities	(278)	(2,271)
Noncurrent liabilities	(24)	(196)
Acquisition cost of shares	30,653	250,413
Unpaid conditional consideration included in acquisition cost	(5,640)	(46,075)
Loans and accrued interest	(11,775)	(96,193)
Net cash used for acquisition	13,238	108,145

Assets and liabilities of acquired companies (McDonald Jones Homes Pty Ltd and 18 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥24,301	$198,521
Noncurrent assets	19,877	162,381
Goodwill	5,454	44,555
Current liabilities	(23,084)	(188,579)
Noncurrent liabilities	(4,172)	(34,082)
Foreign currency translation adjustment	(52)	(425)
Non-controlling interests	(3,384)	(27,645)
Appraisal value of equity by the time of acquisition	(7,748)	(63,295)
Reversal of valuation difference by the time of acquisition	64	523
Gain on step acquisitions	(1,700)	(13,888)
Acquisition cost of shares	9,555	78,057
Cash and cash equivalents	(2,931)	(23,944)
Net cash used for acquisition	6,624	54,113

Assets and liabilities of acquired companies (Itamar Medical Ltd. and 5 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥9,896	$80,843
Noncurrent assets	17,839	150,233
Goodwill	37,776	308,602
Current liabilities	(4,398)	(35,928)
Noncurrent liabilities	(258)	(2,108)
Acquisition cost of shares	60,855	(497,140)
Cash and cash equivalents	(7,064)	(57,708)
Net cash used for acquisition	53,791	439,433

10. Leases

(a) Financing lease transactions

Financing lease transactions without title transfer and right-of-use assets of overseas subsidiaries under IFRS 16

(Lessee)

i) Components of lease assets are as follows:

1) Building, property, plant and equipment: Mainly the right to use buildings, land and production facilities.

The right-of-use assets are included in "Other" in the consolidated balance sheets for the fiscal year under review.

2) Intangible assets: Software

ii) Depreciation of lease assets:

As stated in Note 2 “Significant accounting policies (c) Noncurrent assets and depreciation/amortization.”

(b) Operating lease transactions

(Lessee)

Future lease payments for the non-cancelable portion of the Company’s operating leases at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥9,759	¥9,294	$79,724
Due after one year	20,575	23,688	168,083
Total	¥30,333	¥32,982	$247,798

11. Financial instruments

(a) Overview of financial instruments

i) Policy related to financial instruments

The Company raises long-term funds as required mainly for its planned capital expenditures by borrowing from banks, borrowing from life insurance companies, issuing bonds, etc. A portion of the surplus funds is invested only in highly stable financial assets. Short-term working funds are raised by bank borrowings, issuance of commercial paper, etc. Derivative financial instruments are mainly entered into for the purpose of reducing risks related to assets and liabilities which are exposed to risks of fluctuations of exchange rate and interest rate. Derivatives are not traded for speculative purposes.

ii) Components of financial instruments, their risks and risk management structure

As operating receivables, notes and accounts receivable–trade are exposed to credit risk of customers. As the business of the Company spans a wide range of fields, operating receivables are not excessively concentrated on specific customers, but the parent company and each consolidated subsidiary monitor and manage the credit condition of each customer.

Investment securities are exposed to the risk of fluctuations in market price, but they are mainly equity securities of companies with which the Company has business relationships. These securities are held for the purpose of maintaining the business relationships. Fair value is periodically evaluated, and the financial condition of the issuing company is monitored.

As operating liabilities, notes and accounts payable–trade generally have a payment term of 1 year or less.

Variable interest-rate borrowings are exposed to the risk of interest-rate fluctuations, but derivatives (interest-rate and currency swaps, interest-rate swaps) are used as hedges to fix interest expenses for a portion of long-term variable interest-rate borrowings.

Operating receivables and operating liabilities include those denominated in currencies other than Japanese yen, and are thus exposed to the risk of exchange-rate fluctuations. In order to reduce the effects of short-term exchange-rate fluctuations, the Company hedges with derivative financial instruments (forward exchange contracts), in principle, within the range of the actual demand.

Derivative financial instruments are exposed to the credit risk of transacting financial institutions, but the credit condition of those financial institutions is reviewed through periodical monitoring. Such transactions are performed and managed in accordance with the Company's internal regulations which stipulate the related authority, procedures, limits, etc.

Borrowings are exposed to liquidity risk, but the parent company specifies standards for required on-hand funds based on the Company's funding plans, prepares and revises plans for cash receipts and disbursements as appropriate, and enters into commitment-line agreements with transacting financial institutions to manage such risk.

iii) Supplementary explanation of fair value of financial instruments

As variable factors are incorporated in its estimation, fair value may change due to the adoption of different assumptions, conditions, etc. The stated amount of contracts regarding derivative financial instruments included in Note 13 "Derivative financial instruments" is not itself an indication of the market risk of the derivative financial instruments.

(b) Fair value of financial instruments

Amounts carried on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2022 and 2021, were as follows:

	Millions of yen		
	2022		
	Carrying amount*1	Fair value	Difference
Investment securities*2			
Investments in affiliates	¥16,947	¥16,128	¥ (820)
Other securities	125,475	125,475	—
Long-term loans receivable	7,112	7,107	(5)
Total assets	149,535	148,710	(824)
Bonds payable	160,000	159,021	979
Long-term loans payable	326,970	324,238	2,732
Lease obligations	10,939	11,215	(277)
Long-term guarantee deposits	22,490	22,500	(11)
Total liabilities	520,398	516,975	3,424
Derivative financial instruments*3	¥(3,072)	¥(3,072)	¥—

	Millions of yen		
	2021		
	Carrying amount(*1)	Fair value	Difference
Investment securities(*2)			
Investments in affiliates	¥16,816	¥13,490	¥ (3,326)
Other securities	164,018	164,018	—
Long-term loans receivable	9,584	9,589	5
Total assets	190,418	187,096	(3,321)
Bonds payable	110,000	109,743	257
Long-term loans payable	375,697	376,201	(504)
Lease obligations	4,801	5,103	(302)
Long-term guarantee deposits	10,230	10,274	(44)
Total liabilities	500,727	501,320	(593)
Derivative financial instruments(*3)	¥(1,680)	¥(1,680)	¥—

	Thousands of U.S. dollars		
	2022		
	Carrying amount(*1)	Fair value	Difference
Investment securities(*2)			
Investment in affiliates	$138,445	$131,754	$(6,691)
Other securities	1,025,039	1,025,039	—
Long-term loans receivable	58,100	58,059	41
Total assets	1,221,591	1,214,852	(6,740)
Bonds payable	1,307,083	1,299,085	(7,998)
Long-term loans payable	2,671,105	2,648,787	(22,318)
Lease obligations	89,364	91,618	2,255
Long-term guarantee deposits	183,727	183,809	82
Total liabilities	4,251,270	4,223,307	(27,963)
Derivative financial instruments(*3)	$(25,096)	$(25,096)	$—

(*1) As their fair value approximates book value due to their short maturity, Cash and deposits, notes and accounts receivable–trade, notes and accounts payable–trade, short-term loans payable, commercial paper, and income taxes payable are not included.
(*2) Other securities which do not have market price in active market are not included in the above table. The amount on consolidated balance sheets of the financial instruments:

	Millions of yen	Thousands of U.S. dollars
	2022	
Equity investments in nonpublic companies	¥104,167	$850,968
Equity securities	¥111	$9,068

(*3) The amounts represent the net of assets and liabilities resulting from derivative financial instruments. In the case of a net liability, the amount is shown in parentheses.

Note 1) For monetary credits and securities with maturity, the amounts scheduled for redemption subsequent to the closing date are as follows:

	Millions of yen			
	2022			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	¥244,641	¥—	¥—	¥—
Notes receivable–trade	20,851	—	—	—
Accounts receivable-trade	377,905	—	—	—
Long-term loans receivable	885	5,690	538	—
Total	¥644,282	¥5,690	¥538	¥—

	Millions of yen			
	2021			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	¥221,779	¥—	¥—	¥—
Notes and accounts receivable–trade	338,640	—	—	—
Long-term loans receivable	8,343	873	369	—
Total	¥568,761	¥873	¥369	¥—

	Thousands of U.S. dollars			
	2022			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	$1,998,538	$—	$—	$—
Notes receivable–trade	170,337	—	—	—
Accounts receivable-trade	3,087,207	—	—	—
Long-term loans receivable	7,230	46,483	4,395	—
Total	$5,263,312	$46,483	$4,395	$—

(C)Fair value of financial instruments by level

Fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs related to the fair value measurement.

Level 1:
Fair value is measured by quoted based on the market price (unadjusted) in active markets for identical assets or liabilities.

Level 2:
Fair value is measured by using direct or indirect observable inputs other than those of level 1.

Level 3:

Fair value is measured by using significant unobservable inputs.

When using multiple inputs that have a significant impact on fair value measurement, among the classifications of such inputs, priority is given to the lowest level in fair value measurement.

Cash is omitted from notes, and deposits, notes and accounts receivable–trade, notes and accounts payable–trade, short-term loans payable, commercial paper, and income taxes payable are not included in the categories below as they are settled in a short period of time and their fair values are similar to their book values.

Fair value of financial assets and liabilities recorded on the consolidated balance sheets at March 31, 2022, were as follows:

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities				
Equity securities	¥125,057	¥—	¥418	¥125,475
Long-term loans receivable	—	—	2,683	2,683
Total assets	¥125,057	¥—	¥3,101	¥128,158
Derivative financial instruments				
Currency-related	—	3,072	—	3,072
Total liabilities	¥—	¥3,072	¥—	¥3,072

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities				
Equity securities	$1,021,624	$—	$3,415	$1,025,039
Long-term loans receivable	—	—	21,918	21,918
Total assets	$1,021,624	$—	$25,333	$1,046,957
Derivative financial instruments				
Currency-related	—	25,096	—	25,096
Total liabilities	$—	$25,096	$—	$25,096

Fair value of financial assets and liabilities not recorded on the consolidated balance sheets at March 31, 2022, were as follows:

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	¥16,128	¥—	¥—	¥16,128
Long-term loans receivable	—	—	4,425	4,425
Total assets	¥16,128	¥—	¥4,425	¥20,552
Bonds payable	—	159,021	—	159,021
Long-term loans payable	—	—	324,238	324,238
Lease obligations	—	—	11,215	11,215
Long-term guarantee deposits	—	—	22,500	22,500
Total liabilities	¥—	¥159,021	¥357,954	¥516,975

	Thousands of U.S. dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	$131,754	$—	$—	$131,754
Long-term loans receivable	—	—	36,149	36,149
Total assets	$131,754	$—	$36,149	$167,895
Bonds payable	—	1,299,085	—	1,299,085
Long-term loans payable	—	—	2,646,787	2,646,787
Lease obligations	—	—	91,618	91,618
Long-term guarantee deposits	—	—	183,809	183,809
Total liabilities	$—	$1,299,085	$2,924,222	$4,223,307

Explanation of the valuation techniques and inputs used to calculate fair value:

Investment securities

Equity investments in listed public companies are evaluated using the market price. As equity investments in public companies are traded in active markets, the fair value is classified as Level 1. When liquidity is low or significant unobservable inputs are used, fair value is classified as Level 3.

Derivative financial instruments

Fair value of interest-rate swaps and forward exchange contracts are measured by observable inputs such as interest rates and foreign exchange rates, and classified as Level 2.

Long-term loans receivable

Fair value is measured based on the amount of the total of the principal and interest, discounted at the rate that would apply in the case of making a new loan with the same terms. As discount measurement is considered a significant unobservable input, it is classified as Level 3. Fair value of loans with conversion rights are estimated considering both the case of the option being exercised as well as not being exercised, and adjustment being made accordingly. As significant unobservable inputs such as future earnings estimates are used, it is classified as Level 3.

Bonds payable

Fair value of bonds issued by the Company is measured based on market prices (reference trading statistics) and classified as Level 2.

Long-term loans payable

Fair value is measured based on the amount of the total of the principal and interest, discounted at the rate that would apply in the case of making a new borrowing with the same terms. The fair value is classified as Level 3.

Lease obligations

Fair value is measured based on the amount of the total of the principal and interest, discounted at the rate that would apply in the case of making a new lease obligation. As discount measurement is considered a significant unobservable input, it is classified as Level 3.

Long-term guarantee deposits

When the period of deposit is estimatable, fair value is measured by discounting over that period. As discount measurement is considered a significant unobservable input, it is classified as Level 3.

12. Marketable securities and investment securities

(a) Other securities with available fair value

The aggregate cost, carrying amount which was identical to fair value, and gross unrealized gains and losses of debt and equity securities classified as other securities for which fair values were available at March 31, 2022 and 2021, were as follows:

		Millions of yen		
		2022		
		Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:				
	Equity securities	¥122,737	¥23,097	¥99,641
	Subtotal	122,737	23,097	99,641
Securities with unrealized losses:				
	Equity securities	2,738	3,577	(839)
	Subtotal	2,738	3,577	(839)
Total		¥125,475	¥26,673	¥98,802

For equity investments in nonpublic companies and equity securities, with a carrying amount of ¥104,167 million and ¥111 million, respectively, as of March 31, 2022, fair value is not included in the above table as no quoted market price is available.

	Millions of yen		
	2021		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥161,391	¥28,675	¥132,716
Subtotal	161,391	28,675	132,716
Securities with unrealized losses:			
Equity securities	2,627	3,444	(817)
Subtotal	2,627	3,444	(817)
Total	¥164,018	¥32,119	¥131,899

For equity investments in nonpublic companies and investment securities, with a carrying amount of ¥105,225 million and ¥458 million , respectively, as of March 31, 2021, fair value is not included in the above table as no quoted market price is available.

	Thousands of U.S. dollars		
	2022		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	$1,002,671	$188,686	$813,994
Subtotal	1,002,671	188,686	813,994
Securities with unrealized losses:			
Equity securities	22,367	29,221	(6,854)
Subtotal	22,367	29,221	(6,854)
Total	$1,025,039	$217,899	$807,140

For equity investments in nonpublic companies and equity securities, with a carrying amount of $850,968 thousand and $907 thousand , respectively, as of March 31, 2022, fair value is not included in the above table as no quoted market price is available.

(b) Realized gains and losses on the sale of other securities

The realized gains and losses on the sale of other securities during the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Selling amount	¥31,991	¥20,060	$261,343
Gain on sales of securities	26,545	17,312	216,853
Loss on sales of securities	—	—	—

(c) Loss on other devaluation of investment securities whose fair values are readily determinable

Loss on other devaluation of investment securities whose fair values are readily determinable for the year ended March 31, 2022, was ¥511 million (US$4,174 thousand), which is the sum of ¥12 million (US$98 thousand) for equity securities of unconsolidated subsidiaries and affiliates and ¥499 million (US$4,076 thousand) for other securities, and for the year ended March 31, 2021, ¥66 million, which was for other securities.

13. Derivative financial instruments

(a) Derivative financial instruments for which hedge accounting is not applied

i) Forward exchange contracts

		Millions of yen			
		2022			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	¥42,590	¥—	¥(1,605)	¥(1,605)
	Euro	15,154	—	(694)	(694)
	Thai baht	1,868	—	(92)	(92)
	British pound	46	—	(1)	(1)
	Chinese yuan	4,466	—	(260)	(260)
	Australian dollar	—	—	—	—
	Buying				
	U.S. dollar	4,320	—	225	225
	Euro	53	—	2	2
	Chinese yuan	8	—	0	0
	Japanese yen	22	—	(1)	(1)
	Total	¥68,527	¥—	¥(2,425)	¥(2,425)

Classification	Items	Millions of yen 2021 Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	¥30,420	¥—	¥(1,169)	¥(1,169)
	Euro	13,305	—	(316)	(316)
	Thai baht	1,564	—	(23)	(23)
	British pound	16	—	(0)	(0)
	Chinese yuan	2,508	—	(80)	(80)
	Australian dollar	11	—	0	0
	Buying				
	U.S. dollar	15,223	—	311	311
	Euro	132	—	1	1
	Chinese yuan	—	—	—	—
	Japanese yen	—	—	—	—
	Total	¥63,179	¥—	¥(1,276)	¥(1,276)

Classification	Items	Thousands of U.S. dollars 2022 Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	$347,929	$—	$(13,112)	$(13,112)
	Euro	123,797	—	(5,669)	(5,669)
	Thai baht	15,260	—	(752)	(752)
	British pound	376	—	(8)	(8)
	Chinese yuan	36,484	—	(2,124)	(2,124)
	Australian dollar	—	—	—	—
	Buying				
	U.S. dollar	35,291	—	1,838	1,838
	Euro	433	—	16	16
	Chinese yuan	65	—	0	0
	Japanese yen	180	—	(8)	(8)
	Total	$559,815	$—	$(19,810)	$(19,810)

(b) Derivative financial instruments for which hedge accounting is applied

i) Forward exchange contracts

Classification	Items	Hedged assets/liabilities	Millions of yen 2022 Amount of contract	Amount of contract over 1 year	Fair value(*)
Principle-based accounting	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥5,646	¥—	¥(583)
	Euro	Accounts receivable–trade	1,208	—	(66)
	British pound	Accounts receivable–trade	2	—	0
	Chinese yuan	Accounts receivable–trade	103	—	**(3)**
	Buying				
	U.S. dollar	Accounts payable–trade	18	—	**7**
	Euro	Accounts payable–trade	0	—	**0**
	Japanese yen	Accounts payable–trade	5	—	**(0)**
	Total		¥6,983	¥—	¥(646)

Classification	Items	Hedged assets/liabilities	Millions of yen 2021 Amount of contract	Amount of contract over 1 year	Fair value(*)
Principle-based accounting	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥8,096	¥413	¥(398)
	Euro	Accounts receivable–trade	458	—	(15)
	British pound	Accounts receivable–trade	2	—	(0)
	Chinese yuan	Accounts receivable–trade	—	—	—
	Buying				
	U.S. dollar	Accounts payable–trade	192	—	10
	Euro	Accounts payable–trade	7	—	0
	Japanese yen	Accounts payable–trade	—	—	—
	Total		¥8,755	¥413	¥(404)

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2022 Amount of contract	Amount of contract over 1 year	Fair value(*)
Principle-based accounting	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	$46,124	$—	$(4,763)
	Euro	Accounts receivable–trade	9,868	—	(539)
	British pound	Accounts receivable–trade	16	—	0
	Chinese yuan	Accounts receivable–trade	841	—	(25)
	Buying				
	U.S. dollar	Accounts payable–trade	147	—	57
	Euro	Accounts payable–trade	0	—	0
	Japanese yen	Accounts payable–trade	41	—	**(0)**
	Total		$57,046	$—	$(5,277)

(*) The fair value is provided by counterparty financial institutions.

ii) Interest-rate swaps, and interest-rate and currency swaps

Classification	Items	Hedged assets/liabilities	Millions of yen 2022 Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	¥68,373	¥48,495	(*)
	Total		¥68,373	¥48,495	¥—

Classification	Items	Hedged assets/liabilities	Millions of yen 2021 Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	¥71,597	¥58,143	(*)
	Total		¥71,597	¥58,143	**¥—**

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2022 Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	$558,557	$396,169	(*)
	Total		$558,557	$396,169	$—

(*) Fair value of interest-rate swaps for which special treatment is applied, is included in fair value of the corresponding long-term loans payable for which hedge accounting is applied.

14. Provision for retirement benefits

Upon terminating employment, employees of the parent company and its subsidiaries are entitled, under most circumstances, to lump-sum severance indemnities and/or pension payments determined by reference mainly to their current basic rate of pay and length of service and/or defined contribution plans. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs. Certain consolidated subsidiaries adopt the simplified method in calculating expected defined benefit liability.

Reconciliations of beginning and ending balances of projected benefit obligations for the fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Beginning balance of the projected benefit obligations	¥410,947	¥401,975	$3,357,136
Service cost	15,145	14,657	123,724
Interest cost	724	685	5,915
Actuarial gains/losses	8	11,186	65
Payment of retirement benefits	(18,667)	(18,007)	(152,496)
Other	1,268	451	10,359
Ending balance of the projected benefit obligations	¥409,425	¥410,947	$3,344,702

Reconciliations of beginning and ending balances of plan assets for the fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Beginning balance of plan assets	¥252,115	¥227,609	$2,059,595
Expected return	6,255	5,640	51,099
Actuarial gains/losses	4,177	22,270	34,123
Contributions	5,875	5,632	47,994
Payment of retirement benefits	(9,743)	(9,294)	(79,593)
Other	(142)	258	(1,160)
Ending balance of plan assets	¥258,537	¥252,115	$2,112,058

Reconciliations of ending balance of projected benefit obligations and the plan assets, and of net defined benefit liability and net defined benefit asset, as recorded in the consolidated balance sheet at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Projected benefit obligations of funded plans	¥263,033	¥265,651	$2,148,787
Plan assets	(258,537)	(252,115)	(2,112,058)
Subtotal	4,496	13,536	36,729
Projected benefit obligations of unfunded plans	146,392	145,296	1,195,915
Net of liability and asset that have been recorded in the consolidated balance sheets	¥150,888	¥158,832	$1,232,644
Net defined benefit liability	¥152,081	¥158,832	$1,242,390
Net defined benefit assets	¥ (1,193)	¥−	$ (9,746)
Net of liability and asset that have been recorded in the consolidated balance sheets	¥150,888	¥158,832	$1,232,644

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost (net of employee contributions)	¥14,922	¥14,386	$121,902
Interest cost	724	685	5,915
Expected return on plan assets	(6,255)	(5,640)	(51,099)
Amortization of actuarial gains/losses	3,724	7,375	30,422
Amortization of prior service costs	(159)	(297)	(1,299)
Additional retirement benefits and other	3,522	1,444	28,772
Retirement benefit expenses of defined benefit plans	¥16,478	¥17,954	$134,613

The components of other comprehensive income on defined benefit plans for the fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Prior service costs	¥ (159)	¥ (297)	$ (1,299)
Actuarial gains/losses	7,893	18,403	64,480
Total	¥7,733	¥18,106	$63,173

Accumulated other comprehensive income on defined benefit plans at March 31, 2022 and 2021, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized prior service costs	¥ (1,154)	¥ (1,314)	$ (9,427)
Unrecognized actuarial gains/losses	8,355	16,248	68,254
Total	¥7,201	¥14,934	$58,827

Share by major classifications for plan assets at March 31, 2022 and 2021, was as follows:

	2022	2021
Bonds	37%	37%
Alternative investments	25%	15%
Stock	22%	29%
Life insurance	11%	12%
Cash and deposits	4%	6%
Other	1%	1%
Total	100%	100%

Note: Alternative investments include mainly investments in real estate, private equity and hedge funds.

The current and future allocation of plan assets, and the current and future long-term rate of expected return from the variety of assets that make up the plan assets, are considered in determining the long-term rate of expected return on plan assets.

Major actuarial assumptions at March 31, 2022 and 2021, were as follows:

	2022	2021
Discount rate	Mainly 0.1%	Mainly 0.1%
The long-term rate of expected return on plan assets	Mainly 2.5%	Mainly 2.5%
Expected rate of increase in salary	2.0–6.5%	2.0–6.5%

Required payments to defined contribution plans at March 31, 2022, amounted to ¥6,921 million (US$56,539 thousand), and at March 31, 2021, amounted to ¥6,920 million.

15. Taxes

Income taxes applicable to the parent company and subsidiaries in Japan include (1) corporation tax, (2) enterprise tax, and (3) inhabitants tax.

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Net defined benefit liability	¥45,648	¥48,449	$372,911
Unrealized loss on share of subsidiaries and associates	31,447	—	256,899
Tax loss carry forwards(*2)	26,355	15,568	215,301
Foreign tax credit carry forwards	8,173	7,202	66,767
Accrued bonuses	7,747	7,426	63,287
Loss on disposal of noncurrent assets	5,982	6,498	48,869
Unrealized gain on noncurrent assets and others	4,991	4,325	40,773
Impairment losses	4,984	7,014	40,716
Other	41,825	33,553	341,680
Subtotal deferred tax assets	177,151	130,037	1,447,194
Valuation allowance for tax loss carryforwards(*2)	(16,821)	(13,801)	(137,415)
Valuation allowance for deductible temporary difference	(39,183)	(13,061)	(320,096)
Less: Valuation allowance (*1)	(56,004)	(26,862)	(457,512)
Total deferred tax assets	121,147	103,175	989,682
Deferred tax liabilities:			
Identified intangible assets during business combination	(54,491)	(44,027)	(445,152)
Unrealized gain on other securities	(28,694)	(39,795)	(234,409)
Foreign subsidiary's unitary tax	—	(24,946)	—
Depreciation—overseas subsidiaries	(9,887)	(9,617)	(80,770)
Deferred gain on property, plant and equipment	(8,706)	(8,736)	(71,122)
Other	(17,109)	(13,857)	(139,768)
Total deferred tax liabilities	(118,887)	(140,728)	(971,220)
Net deferred tax assets (liabilities)	¥2,260	¥(37,553)	$18,463

(*1) Valuation allowance increased mainly due to reconfiguration of Veloxis.

(*2) Tax loss carryforwards and related deferred tax assets by period of expiration at March 31, 2022 and 2021, were as follows:

	Millions of yen 2022						
	Up to 1year	Over 1year up to 2years	Over 2years up to 3years	Over 3years up to 4years	Over 4years up to 5years	Over 5years	Total
Tax loss carryforwards (*1)	¥337	¥4,986	¥547	¥1,488	¥810	¥18,189	¥26,355
Valuation allowance	(333)	(4,984)	(541)	(1,330)	(526)	(9,107)	(16,821)
Deferred tax assets	¥4	¥1	¥6	¥158	¥284	¥9,082	¥9,534 (*2)

(*1) Tax loss carryforwards are measured by multiplying the loss amounts by the statutory income tax rate.

(*2) Regarding tax loss carryforwards of ¥26,355 million (US$215,301 thousand), ¥9,534 million (US$77,886 thousand) is recorded as deferred tax assets. This is the amount judged to be recoverable based on future expected taxable income.

	Millions of yen						
	2021						
	Up to 1year	Over 1year up to 2years	Over 2years up to 3years	Over 3years up to 4years	Over 4years up to 5years	Over 5years	Total
Tax loss carryforwards (*3)	¥119	¥4,063	¥950	¥611	¥1,008	¥8,818	¥15,568
Valuation allowance	(108)	(4,062)	(945)	(468)	(828)	(7,392)	¥ (13,801)
Deferred tax assets	¥11	¥1	¥5	¥143	¥180	¥1,426	¥1,767 (*4)

(*3) Tax loss carryforwards are measured by multiplying the loss amounts by the statutory income tax rate.
(*4) Regarding tax loss carryforwards of ¥15,568 million, ¥1,767 million is recorded as deferred tax assets. This is the amount judged to be recoverable based on future expected taxable income.

	Thousand of U.S. dollars						
	2022						
	Up to 1year	Over 1year up to 2years	Over 2years up to 3years	Over 3years up to 4years	Over 4years up to 5years	Over 5years	Total
Tax loss carryforwards	$2,753	$40,732	$4,469	$12,156	$6,617	$148,591	$215,301
Valuation allowance	(2,720)	(40,716)	(4,420)	(10,865)	(4,297)	(74,398)	(137,415)
Deferred tax assets	$33	$8	$49	$1,291	$2,320	$74,193	$77,886

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2022 and 2021, was as follows:

	2022	2021
Statutory tax rate	30.6%	30.6%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	0.4	0.2
R&D expenses deductible from income taxes	(2.2)	(2.7)
Amortization of goodwill and negative goodwill	4.0	5.1
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	(1.3)	(0.7)
Undistributed earnings (losses) of foreign subsidiaries	1.1	0.5
Difference of tax rates for foreign subsidiaries	(3.4)	(4.5)
Foreign subsidiary's unitary tax	(3.8)	15.9
Other	(1.6)	1.2
Effective income tax rate	23.8%	45.6%

16. Business combinations

Business combinations accounted for by the purchase method were as follows:

(a) Acquisition of Respicardia, Inc.

ZOLL Medical Corporation ("ZOLL"), a consolidated subsidiary of the Company, has acquired Respicardia, Inc. ("Respicardia", Headquarters: Minnesota*, USA; CEO: Peter Sommerness), a U.S. medical equipment company which develops, manufactures, and sells the remedē® System, an implantable neurostimulator device for the treatment of central sleep apnea (CSA). The acquisition process was completed on April 9, 2021 (U.S. Eastern time).

* Registered in Delaware with head office functions in Minnesota.

1. Outline of business combination

(1) Name and nature of the businesses of counterparty

Name of counterparty: Respicardia, Inc.

Nature of the businesses: Development, manufacture, and sale of implantable neurostimulator device

(2) Main reason for the acquisition

With established businesses centered on cardiopulmonary resuscitation, notably defibrillators for medical professionals, automated external defibrillators (AEDs), and LifeVest® wearable defibrillators, ZOLL has sought to further expand in the field of acute critical care including peripheral areas such as heart failure and respiratory dysfunction. Respicardia develops innovative therapies for conditions with large unmet clinical needs. With this acquisition, ZOLL will combine its expertise in cardiac and respiratory care with Respicardia's novel remedē® System to make a meaningful difference in the health and quality of life for many patients.

(3) The acquisition date

April 9, 2021

(4) Statutory form of business combination

Stock purchase for mainly cash as consideration

(5) Name of company after transaction

ZOLL Respicardia, Inc.

(6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

(7) Grounds for determining acquiring company

Stock purchase for mainly cash as consideration by a consolidated subsidiary

2.The period of acquired company's results included in the consolidated financial statements

From April 9 2021, to March 31, 2022

3. Cost of acquisition and details

		Millions of yen	Thousands of U.S. dollars
Purchase consideration*	cash	¥18,878	$154,219
	loans and accrued	¥11,775	$96,193
Purchase price		¥30,653	$250,413

* Purchase consideration includes conditional consideration of ¥5,640 million (US$46,075 thousand). (fair value)

4. Major acquisition related costs

Advisory fees and others: ¥17 million (US$139 thousand)

5. Substance of conditional consideration specified in the stock purchase agreement and policy for accounting treatment

(1) Substance of conditional consideration

The agreement provides for additional payment based on the acquired company's achievement of certain performance targets

(2) Policy for accounting treatment

Variable portion of conditional consideration will be treated in accordance with Generally Accepted Accounting Principles of the United States

6. Amount of goodwill, measurement principle, amortization method, and useful life

(1)Amount of goodwill:

¥14,362 million (US$117,327 thousand)

(2) Measurement principle:

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed

(3) Amortization method and useful life:

Straight-line method over 20 years

7. Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥408	$3,333
Noncurrent assets	16,185	132,220
Total assets	¥16,593	$135,553
Current liabilities	¥278	$2,271
Noncurrent liabilities	24	196
Total liabilities	¥301	$2,459

8. Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

(1) Purchase price allocated to intangible assets and its major items

	Millions of yen	Thousands of U.S. dollars
Technology assets	¥14,243	$116,355
Customer relationships	¥721	$5,890
Trademarks	¥623	$5,089

(2) Major weighted average useful life

Technology assets 13 years

Customer relationships 12 years

Trademarks 10 years

Total 13 years

9. Pro forma effects on the consolidated statements of income assuming the business combination had been completed at the beginning of fiscal year, and method of its measurement

Information is omitted due to immateriality. This note is not audited.

(b) Acquisition of additional shares in McDonald Jones Homes Pty Ltd

Asahi Kasei Homes Australia Pty Ltd, a consolidated subsidiary of the Company, concluded an agreement on April 16, 2021, to purchase additional shares in McDonald Jones Homes Pty Ltd ("McDonald Jones"), an equity-method affiliate of the Company. The transaction was completed on June 11, 2021, and McDonald Jones became a consolidated subsidiary of the Company.

1. Outline of business combination

(1) Name and nature of business of counterparty

Name of counterparty: McDonald Jones Homes Pty Ltd

Nature of business: Construction of custom-built homes and sale of pre-built homes

(2) Main reasons for the acquisition

In July 2017, the Company acquired a 40% interest in McDonald Jones, a detached housing company in Australia. Expertise of the Company, a consolidated subsidiary of the Company, regarding industrialized housing provided valuable support for sales and marketing, and helped to reduce costs by shortening the construction period. The acquisition of additional shares will accelerate such measures and enable further market expansion and growth in the Australian housing market, contributing to sustainable growth in corporate value for the Company.

(3) The acquisition date

June 11, 2021

(4) Statutory form of business combination

Stock purchase for cash as consideration

(5) Name of company after transaction

McDonald Jones Homes Pty Ltd

(6) Acquired voting right

Voting right before the acquisition: 40%

Additionally voting right acquired of the acquisition date: 40%

Voting right after the acquisition: 80%

(7) Grounds for determining acquiring company

Stock purchase for cash as consideration by a consolidated subsidiary

2. The period of acquired business's results included in the consolidated financial statements

From April 1, 2021, to March 31, 2022

3. Cost of acquisition and details

		Millions of yen	Thousands of U.S. dollars
Market value of stock held before acquisition as of the acquisition date		¥9,555	$78,057
Additional purchase consideration	cash	¥9,555	$78,057
Purchase price		¥19,110	$156,115

4. Difference between cost of acquisition and total of individual transactions leading to the acquisition

Gain on step acquisitions: ¥1,700 million (US$13,888 thousand)

5. Major acquisition related costs

Advisory fees and others: ¥117 million (US$956 thousand)

6. Amount of goodwill, measurement principle, amortization method, and useful life

(1) Amount of goodwill:

¥5,454 million (US$ 44,555 thousand)

(2) Measurement principle:

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed

(3) Amortization method and useful life:

Straight-line method over 20 years

7. Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥24,301	$198,521
Noncurrent assets	19,877	162,381
Total assets	¥44,178	$369,902
Current liabilities	¥23,084	$188,579
Noncurrent liabilities	4,172	34,082
Total liabilities	¥27,256	$222,662

8. Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

(1) Purchase price allocated to intangible assets and its major items

	Millions of yen	Thousands of U.S. dollars
Trademarks	¥8,736	$71,367
Customer relationships	¥422	$3,447

(2) Major weighted average useful life

Trademarks 20 years

Customer relationships 5 years

Total 19 years

(c) Acquisition of Itamar Medical Ltd.

ZOLL Medical Corporation ("ZOLL"), a consolidated subsidiary of the Company, concluded an agreement on September 13, 2021, to acquire all outstanding ordinary shares of Itamar Medical Ltd. ("Itamar", Headquarters: Caesarea, Israel; CEO: Gilad Glick), an Israeli medical device and digital health company focused on the integration of sleep apnea diagnosis into the cardiac patient care pathway. The acquisition process was completed on December 16, 2021 (U.S. Eastern time).

1. Outline of business combination

(1) Name and nature of business of counterparty

Name of counterparty: Itamar Medical Ltd.

Nature of business: Development, manufacture, and sale of diagnostic devices for sleep apnea

(2) Main reasons for the acquisition

With established businesses centered on cardiopulmonary resuscitation, notably defibrillators for medical professionals, automated external defibrillators (AEDs), and LifeVest® wearable defibrillators, ZOLL has sought to further expand in the field of acute critical care including peripheral areas such as heart failure and respiratory dysfunction.

There are two primary classifications of sleep apnea: obstructive sleep apnea (OSA) and central sleep apnea (CSA). While OSA results from a blockage of the upper airway, CSA occurs when the brain fails to send appropriate signals to the breathing muscles that stimulate a regular breathing pattern. Research has shown complex interrelationships between cardiovascular disease and both OSA and CSA. OSA is associated with increases in the incidence and progression of coronary heart disease, heart failure, stroke, and atrial fibrillation, while CSA associated with Cheyne-Stokes respiration predicts incident heart failure and atrial fibrillation, and strongly predicts mortality among patients with heart failure.

In April 2021, ZOLL acquired Respicardia, Inc., a U.S. medical equipment company which manufactures and sells the remedē® System, an implantable neurostimulator device for the treatment of CSA. The acquisition of Itamar allows ZOLL to extend its business in this field.

(3) The acquisition date

December 16, 2021

(4) Statutory form of business combination

Stock purchase for cash as consideration

(5) Name of company after transaction

Itamar Medical Ltd.

(6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100

(7) Grounds for determining acquiring company

Stock purchase for cash as consideration by a consolidated subsidiary

2. The period of acquired company's results included in the consolidated financial statements

From December 16, 2021, to March 31, 2022

3. Cost of acquisition and details

		Millions of yen	Thousands of U.S. dollars
Purchase consideration	cash	¥60,855	$497,141
Purchase price		¥60,855	$497,141

4. Major acquisition related costs

Advisory fees and others: ¥844 million (US$6,895 thousand)

5. Amount of goodwill, measurement principle, amortization method, and useful life

(1) Amount of goodwill:

¥37,776 million* (US$ 308,602 thousand)

* Based on provisional measurement as purchase price allocation is incomplete due to the short time between closing of the transaction and fiscal year end preventing completion of identification and estimation of the value of identifiable assets and liabilities.

(2) Measurement principle:

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

(3) Amortization method and useful life:

Not determined at present

6. Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥9,896	$80,843
Noncurrent assets	17,839	145,732
Total assets	¥27,735	$226,575
Current liabilities	¥4,398	$35,928
Noncurrent liabilities	258	2,108
Total liabilities	¥4,656	$38,036

7. Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

(1) Purchase price allocated to intangible assets and its major items

	Millions of yen	Thousands of U.S. dollars
Technology assets	¥12,563	$102,631
Trademarks	¥3,084	$25,194
Customer relationships	¥1,656	$13,528

(2) Major weighted average useful life

Technology assets 9 years

Trademarks 14 years

Customer relationships 13 years

Total 10 years

8. Purchase price allocation

Purchase price allocation is incomplete because fair value measurement of assets and liabilities has not been completed as of the end of the consolidated fiscal year. Provisional treatment is based on rational information available at that time.

9. Pro forma effects on the consolidated statements of income assuming the business combination had been completed at the beginning of fiscal year, and method of measurement thereof

Information is omitted due to immateriality. This note is not subject to audit.

17.Revenue recognition

(a) Revenue from contracts with customers

	Millions of yen					
	2022					
	Material	Homes	Health Care	Subtotal	Others (*1)	Total
Japan	¥475,776	¥687,084	¥101,765	¥1,264,624	¥12,254	¥1,276,878
United States	90,388	54,970	211,128	356,485	987	357,472
China	220,523	—	17,974	238,497	184	238,681
Others	411,559	91,297	85,016	587,873	413	588,286
Revenue from contracts with customers (*2)	¥1,198,246	¥833,351	¥415,883	¥2,447,479	¥13,838	¥2,461,317
Sales to external customers	¥1,198,246	¥833,351	¥415,883	¥2,447,479	¥13,838	¥2,461,317

(*1) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.
(*2) Including revenue from leases.

	Thousands of U.S. dollars					
	2022					
	Material	Homes	Health Care	Subtotal	Others	Total
Japan	$3,886,741	$5,612,973	$831,345	$10,331,051	$100,106	$10,431,158
United States	738,404	449,065	1,724,761	2,912,221	8,063	2,920,284
China	1,801,511	—	146,834	1,948,346	1,503	1,949,849
Others	3,362,135	745,830	694,518	4,802,492	3,374	4,805,866
Revenue from contracts with customers	$9,788,792	$6,807,867	$3,397,459	$19,994,110	$113,046	$20,107,156
Sales to external customers	$9,788,792	$6,807,867	$3,397,459	$19,994,110	$113,046	$20,107,156

(b) Basis for revenue recognition

Please refer to Note 2. Significant accounting policies (f) Significant revenue and expense recognition.

(c) Relationship between the fulfillment of performance obligations based on contracts with customers and the cash flow generated from the contracts, the amount of revenue expected to be recognized in subsequent fiscal years from contracts with customers and the timing, existing at March 31, 2022

(1) Balances of contract assets and contract liabilities, etc.

	Millions of yen	Thousands of U.S. dollars
	2022	
Liabilities from contracts with customers (beginning balance)	¥335,013	$2,736,811
Receivables from contracts with customers (ending balance)	393,864	3,217,580
Contract assets (beginning balance)	25,731	210,203
Contract assets (ending balance)	35,840	292,287
Contract liabilities (beginning balance)	47,544	388,400
Contract liabilities (ending balance)	62,476	510,383

The company mainly records consideration for construction in progress as contract assets, and advances received from customers as contract liabilities. Among revenue recognized in the consolidated fiscal year ended March 31, 2022, the amount included in the beginning balance of contract liabilities was ¥47,544 million (US$388,400 thousand).

There is no significant change in the balance of contract assets and contract liabilities

(2) Transaction prices allocated to outstanding performance obligations

Among transaction prices allocated to outstanding performance obligations, those whose contract term exceeds one year are mainly related to the Homes segment, and their recognition as revenue is as shown below. Applying the practical expedient regarding notes on transaction prices allocated to outstanding performance obligations, there are some contracts whose period was initially expected to be within one year which are not included in the scope of the note below.

	Millions of yen	Thousands of U.S. dollars
	2022	
Within 1 year	¥210,546	$1,720,007
Over 1 year	132,509	1,082,501
Total	343,056	2,802,516

18. Business segment information

(a) Overview of reportable segments

The Company’s business segments are based on organizational units for which separate financial information is available, and the Board of Directors carries out periodic review to allocate management resources and evaluate business performance.

The Company is organized under an operating holding company configuration with the operating holding company and core operating companies performing operations in three business sectors. The operating holding company and each core operating company lays out strategy and develops business activities in Japan and abroad.

Main businesses and main products of the three reportable segments are as follows:

Material segment

Basic Materials business

The Company manufactures, processes, and sells petrochemical products such as styrene, acrylonitrile, polyethylene, and polystyrene.

Performance Products business

The Company manufactures, processes, and sells fiber products such as cupro fiber, elastic polyurethane filament, nonwoven fabrics, and nylon 66 filament, performance polymer products such as synthetic rubber and engineering plastics, and consumable products such as food wrapping film, and plastic films and sheets.

Specialty Solutions business

The Company manufactures, processes, and sells performance material products such as coating materials, microcrystalline cellulose, explosives, explosion-bonded metal clad, hollow-fiber filtration membranes, ion-exchange membranes, and electronic materials, battery separator products such as lithium-ion battery separator and lead-acid battery separator, and electronic devices such as mixed-signal LSIs and Hall elements.

Homes segment

Homes business

The Company constructs unit homes and apartment buildings, and operates real estate businesses, remodeling businesses, and financial and other services.

Construction Materials business

The Company manufactures and sells autoclaved aerated concrete (AAC) panels, insulation panels, foundation systems, and structural components.

Health Care segment

Pharmaceuticals business

The Company manufactures and sells pharmaceuticals and diagnostic reagents.

Medical Care business

The Company manufactures and sells artificial kidneys, therapeutic apheresis devices, and virus removal filters.

Critical Care business

The Company manufactures and sells products centered on cardiopulmonary resuscitation; notably defibrillators for medical professionals, automated external defibrillators (AEDs), and wearable defibrillators.

Others

The Company performs plant and environmental engineering, research and analysis, employment agency/staffing operations, etc.

(b) Methods to determine net sales, income or loss, assets, and other items by reportable business segment

Profit by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

Methods of revenue recognition by reportable business segment is changed, as Accounting Standards Board of Japan (ASBJ) Statement No. 29 “Accounting Standard for Revenue Recognition” and other standards are applied from the beginning of the fiscal year ended March 31, 2022, as described in the note of “Changes in significant accounting policies”.

As a result, in Material segment, net sales and operating income, each decreased by ¥49,219 million (US$402,083 thousand) and ¥120 million (US$980 thousand), respectively, during the fiscal year ended March 31, 2022. In Homes segment, net sales and operating income, each increased by ¥784 million (US$6,405 thousand) and ¥1,290 million (US$10,538 thousand), respectively, during the fiscal year ended March 31, 2022. And in Healthcare segment, net sales decreased by ¥233 million (US$1,903 thousand) and operating income increased ¥55 million (US$449 thousand) during the fiscal year ended March 31, 2022.

(c) Information concerning net sales, income or loss, assets, and other items by reportable segment

	Millions of yen					
	2022					
	Material	Homes	HealthCare	Subtotal	Others (*1)	Total
Sales:						
External customers	¥1,198,246	¥833,351	¥415,883	¥2,447,479	¥13,838	¥2,461,317
Intersegment	6,705	66	20	6,791	41,789	48,580
Total	1,204,951	833,417	415,903	2,454,270	55,627	2,509,898
Operating income	110,274	73,159	52,159	235,591	3,247	238,838
Assets	1,781,037	639,253	861,139	3,281,429	101,665	3,383,094
Other items:						
Depreciation and amortization (*2)	63,675	13,847	34,504	112,026	1,562	113,588
Amortization of goodwill	12,775	556	15,059	28,391	―	28,391
Investments in affiliates accounted for using equity method	70,336	8,342	2,314	80,992	20,504	101,496
Increase in property, plant and equipment, and intangible assets	120,751	18,600	24,882	164,233	3,533	167,766

(*1) The “Others” category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Amortization of goodwill is not included.

	Millions of yen					
	2021					
	Material	Homes	Health Care	Subtotal	Others (*1)	Total
Sales:						
External customers	¥991,227	¥692,639	¥407,904	¥2,091,770	¥14,281	¥2,106,051
Intersegment	5,515	22	24	5,561	41,010	46,572
Total	996,743	692,661	407,928	2,097,331	55,292	2,152,623
Operating income	66,461	63,548	67,603	197,612	3,800	201,413
Assets	1,567,831	568,563	734,658	2,871,052	92,878	2,963,930
Other items:						
Depreciation and amortization (*2)	59,019	11,180	31,106	101,305	1,538	102,843
Amortization of goodwill	11,934	91	12,878	24,903	―	24,903
Investments in affiliates accounted for using equity method	62,204	14,121	2,192	78,517	19,085	97,602
Increase in property, plant and equipment, and intangible assets	100,458	18,658	15,934	135,050	809	135,859

(*1) The “Others” category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2)Amortization of goodwill is not included.

	Thousands of U.S. dollars					
	2022					
	Material	Homes	Health Care	Subtotal	Others (*1)	Total
Sales:						
External customers	$9,788,792	$6,807,867	$3,397,459	$19,994,110	$113,046	$20,107,156
Intersegment	54,775	539	163	55,477	341,386	396,863
Total	9,843,567	6,808,406	3,397,623	20,049,587	454,432	20,504,027
Operating income	900,858	597,655	426,101	1,924,606	26,526	1,951,131
Assets	14,549,767	5,222,229	7,034,875	26,806,870	830,529	27,637,399
Other items:						
Depreciation and amortization (*2)	520,178	113,120	281,872	915,170	12,760	927,931
Amortization of goodwill	104,362	4,542	123,021	231,934	—	231,934
Investments in affiliates accounted for using equity method	574,594	68,148	18,904	661,645	167,503	829,148
Increase in property, plant and equipment, and intangible assets	986,447	151,948	203,268	1,341,663	28,862	1,370,525

(*1)The “Others” category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Amortization of goodwill is not included.

(d) Reconciliation of differences between total amounts of reportable segments and amounts appearing in the consolidated financial statements (adjustment of difference)

Sales	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total of reporting segments	¥2,454,270	¥2,097,331	$20,049,587
Net sales in “Others” category	55,627	55,292	454,432
Elimination of intersegment transactions	(48,580)	(46,572)	(396,863)
Net sales on consolidated statements of income	¥2,461,317	¥2,106,051	$20,107,156

Operating income	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total of reporting segments	¥235,591	¥197,612	$1,924,606
Operating income in "Others" category	3,247	3,800	26,526
Elimination of intersegment transactions	189	551	1,544
Corporate expenses, etc.(*)	(36,380)	(30,156)	(297,198)
Operating income on consolidated statements of income	¥202,647	¥171,808	$1,655,477

(*) Corporate expenses, etc. include corporate revenue, basic research expense, and group management expense, etc. which are not allocated to reporting segments.

Assets	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total of reporting segments	¥3,281,429	¥2,871,052	$26,806,870
Assets in "Others" category	101,665	92,878	830,529
Elimination of intersegment transactions	(532,202)	(602,842)	(4,347,700)
Corporate assets(*)	498,183	557,853	4,069,790
Total assets on consolidated balance sheets	¥3,349,075	¥2,918,941	$27,359,489

(*) Corporate assets include assets of the parent company—surplus operating funds (cash and deposits), long-term investment capital (investment securities, etc.), and land, etc.

Other items	Total of reportable segments			Others			Adjustments (*1)			Amounts from consolidated financial statements		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022	2022	2021	2022	2022	2021	2022	2022	2021	2022
Depreciation and amortization (*2)	¥112,026	¥101,305	$915,170	¥1,562	¥1,538	$12,760	¥6,150	¥5,527	$50,241	¥119,738	¥108,369	$978,172
Amortization of goodwill	28,391	24,903	231,934	—	—	—	—	—	—	28,391	24,903	231,934
Investments in affiliates accounted for using equity method	80,992	78,517	661,645	20,504	19,085	167,503	—	—	—	101,496	97,602	829,148
Increase in property, plant and equipment, and intangible assets	**164,233**	**135,050**	**1,341,663**	**3,533**	**809**	**28,862**	**18,878**	**17,797**	**154,219**	**186,644**	**153,656**	**1,524,745**

(*1) Adjustments include elimination of intersegment transactions and corporate expenses, etc.
(*2) Amortization of goodwill is not included.

(e) Related Information

i) Information on products and services

Please refer to (c) Information concerning net sales, income or loss, assets, and other items for each reportable segment.

ii) Geographic information

1) Net sales

Millions of yen					Thousands of U.S. dollars				
2022					2022				
Japan	United States	China	Others	Total	Japan	United States	China	Others	Total
¥1,276,878	¥357,472	¥238,681	¥588,286	¥2,461,317	$10,431,158	$2,920,284	$1,949,849	$4,805,866	$20,107,156

Millions of yen				
2021				
Japan	United States	China	Others	Total
¥1,204,218	¥309,723	¥198,903	¥393,206	¥2,106,051

2) Property, plant and equipment

Millions of yen								Thousands of U.S. dollars			
2022				2021				2022			
Japan	United States	Others	Total	Japan	United States	Others	Total	Japan	United States	Others	Total
¥569,214	¥119,423	¥116,578	¥805,215	¥518,408	¥107,365	¥91,489	¥717,262	$4,650,061	$975,598	$952,357	$6,578,017

3) Information by major customer

Information by major customer is not shown because no customer accounts for 10% or more of net sales on the consolidated statements of income.

19. Information on related parties

For the year ended March 31, 2022: None

For the year ended March 31, 2021: None

20. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2022 and 2021, were as follows:

	Yen		U.S. dollars
	2022	2021	2022
Basic net assets per share	¥1,216.33	¥1,057.61	$9.94
Basic net income per share	116.68	57.49	0.95

Note: As the Company had no dilutive securities at March 31, 2022 and 2021, the Company does not disclose diluted net income per share for the years ended March 31, 2022 and 2021.

(a) Basis for measurement of net assets per share

	Millions of yen		U.S. dollars
	2022	2021	2022
Total net assets	¥1,718,815	¥1,494,535	$14,041,459
Amount deducted from total net assets	31,405	27,058	256,556
of which, non-controlling interests	*(31,405)*	*(27,058)*	*(256,556)*
Net assets allocated to capital stock	¥1,687,410	¥1,467,476	$13,784,903
Number of shares of capital stock outstanding at fiscal year end used in measurement of net assets per share (thousand)	1,387,291	1,387,535	1,387,291

Note: Shares held by the trust for granting shares to Directors, etc., numbering 561 thousand at March 31, 2022, and 327 thousand at March 31, 2021, are excluded from the number of shares of capital stock outstanding at fiscal year end used in measurement of net assets per share.

(b) Basis for measurement of net income per share

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net income attributable to owners of the parent	¥161,880	¥79,768	$1,322,441
Amount not attributable to common stock shareholders	—	—	—
Net income attributable to common stock owners of the parent	¥161,880	¥79,768	$1,322,441
Weighted-average number of shares of capital stock (thousand)	1,387,432	1,387,526	1,387,432

Note: Shares held by the trust for granting shares to Directors, etc., numbering 425 thousand during the year ended March 31, 2022, and 342 thousand during the year ended March 31, 2021, are excluded from the weighted-average number of shares of capital stock used in measurement of net income per share.

21. Subsequent events

(a) Fire at Bemberg Plant

On April 9, 2022, a fire occurred at the Bemberg Plant of the Company (Nobeoka, Miyazaki, Japan). While the fire was extinguished the following day, the state of damage, prospects for recovery, and the forthcoming effect on business activity are currently being investigated, making it difficult to rationally estimate the amount of loss incurred due to the fire.

(b) Acquisition of Bionova Holdings, Inc. in the U.S.

Asahi Kasei Medical Co., Ltd. ("Asahi Kasei Medical"), a consolidated subsidiary of the Company, concluded an agreement through Asahi Kasei Bioprocess Holdings, Inc., a U.S. subsidiary of Asahi Kasei Medical, to acquire Bionova Holdings, Inc. (Registered in Delaware, U.S.A; CEO: Darren Head), the 100% parent company of Bionova Scientific, LLC, a provider of contract process development services and GMP (Good Manufacturing Practice) compliant contract manufacturing services to biopharmaceutical companies, especially those developing next-generation antibody based drugs. The acquisition process was completed on May 31, 2022 (JST).

1. Outline of business combination

(1) Name and nature of the businesses of counterparty

Name of counterparty: Bionova Holdings, Inc.

Nature of the businesses: Biopharmaceutical manufacturing process development, GMP-compliant contract manufacturing of current and next-generation antibody drugs (all via its 100% owned operating subsidiary, Bionova Scientific, LLC

(2) Main reason for the acquisition

This acquisition will enable Asahi Kasei Medical to add a biopharmaceutical CDMO (contract development and manufacturing organization) to its bioprocess business. As process development and GMP manufacturing operations are key to the overall success of biopharmaceutical customers' businesses and the launch of new drugs, being able to offer a broader range of critical know-how driven services to biopharmaceutical customers will allow Asahi Kasei Medical to grow its bioprocess business more rapidly by better serving the industry and by reaching a broader range of customers, including those at the cutting edge of next generation biopharmaceuticals.

(3) The acquisition date

May 31, 2022

(4) Statutory form of business combination

Stock purchase for cash as consideration

(5) Name of company after transaction

Bionova Holdings, Inc.

(6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

(7) Grounds for determining acquiring company

Stock purchase for cash as consideration by a consolidated subsidiary

2.Cost of acquisition and details

		Millions of yen	Thousands of U.S. dollars
Purchase consideration*	cash	¥42,578	$347,831
Purchase price		¥42,578	$347,831

* The price adjustment after the stock purchase has not been completed and the cost of acquisition has not determined.

3.Amount of goodwill, measurement principle, amortization method, and useful life

(1) Amount of goodwill:

¥39,788 million (US$325,039 thousand)

The amount of goodwill is provisional measurement.

(2) Measurement principle:

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

(3) Amortization method and useful life:

Not determined at present

(c) Transfer of photomask pellicles business to Mitsui Chemicals, Inc., by corporate separation (simplified absorption-type separation)

The company has executed a final agreement (Final Agreement) with Mitsui Chemicals, Inc., regarding the transfer to Mitsui Chemicals of the

Company's operations for the manufacture, development, and sale of photomask pellicles in Japan, Korea, Taiwan, North America, and China, and all shares of Asahi Kasei EMS Co., Ltd., a consolidated subsidiary of the Company which performs consigned manufacture of photomask pellicles (The Business) with an effective date of July 1, 2023 (scheduled), by absorption-type separation (The Separation).

1.Overview of the separation

(1) Name of succeeding company

Mitsui chemicals, Inc.

(2) Content of separating business

Operations related to manufacture, development, and sale of pellicles

(3) Main reason for the separation

As a result of successive discussions between the company and Mitsui Chemicals on the future prospects for both companies' pellicles business, from the perspectives of swift decision-making and business strengthening, the conclusion was reached that it would be best to transfer The Business to Mitsui Chemicals and operate the FPD pellicles and LSI pellicles business as part of the robust structure of Mitsui Chemicals.

(4) Effective date of the separation

July 1, 2023(scheduled)

(5) Overview of transaction including legal form

Absorption-type separation with the Company as the separating company and Mitsui Chemicals as the succeeding company.

Through The Separation, Mitsui Chemicals will succeed, among the assets, liabilities, and other rights and obligations of The Business, those which are stipulated in The Separation Agreement. Apart from The Separation, as operations related to The Business, operations of Asahi Kasei EMD Taiwan Corp. and Asahi Kasei E-materials Korea Inc. will, by the Effective Date of the Separation, be succeeded to Mitsui Chemicals and its affiliates through business transfer, etc. (The Business Transfer).

The company is scheduled to receive ¥7,400 million (US$60,453 thousand) from Mitsui Chemicals as consideration for the rights and obligations succeeding with The Separation. This amount includes consideration for The Business Transfer. The final amount is scheduled to be fixed upon adjustment based on the Final Agreement.

2. Reportable segment which includes the separating business

Material segment

22. Borrowings

(a) Bonds payable at March 31, 2022 and 2021, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unsecured 0.10% yen bonds due in 2023	¥20,000	¥20,000	$163,385
Unsecured 0.07% yen bonds due in 2024	20,000	20,000	163,385
Unsecured 0.21% yen bonds due in 2029	20,000	20,000	163,385
Unsecured 0.12% yen bonds(Green Bond) due in 2025	10,000	10,000	81,693
Unsecured 0.01% yen bonds due in 2023	20,000	20,000	163,385
Unsecured 0.28% yen bonds due in 2030	20,000	20,000	163,385
Unsecured 0.00% yen bonds due in 2024	10,000		81,693
Unsecured 0.09% yen bonds due in 2026	20,000		163,385
Unsecured 0.24% yen bonds due in 2031	20,000		163,385
Total	¥160,000	¥110,000	$1,307,083

Notes: 1. The current portion of bonds payable is recorded under current liabilities on the consolidated balance sheets.
2. The aggregate annual maturities of long-term debt after March 31, 2022, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥—	$—
2024	40,000	326,771
2025	30,000	245,078
2026	10,000	81,693
2027	20,000	163,385
2028 and thereafter	60,000	490,156
Total	¥160,000	$1,307,083

(b) Loans payable at March 31, 2022 and 2021, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term loans payable with an interest rate of 0.29%	¥166,306	¥89,278	$1,358,598
Current portion of long-term loans payable with an interest rate of 0.82%	73,186	55,293	597,876
Current portion of lease obligations with an interest rate of 3.27%	2,224	880	18,168
Long-term loans payable (except portion due within one year) with an interest rate of 0.38%	253,785	320,404	2,073,237
Lease obligations (except portion due within one year) with an interest rate of 4.06%	8,715	3,921	71,195
Commercial paper (portion due within one year) with an interest rate of (0.04)%	113,000	84,000	923,127
Total	¥617,215	¥553,776	$5,042,194

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2022.

2. The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2022, are as follows:

Year ending March 31	Long-term loans payable		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2024	¥51,778	$422,988	¥1,560	$12,744
2025	53,240	434,932	1,353	11,053
2026	62,570	511,151	1,153	9,419
2027	60,948	497,900	887	7,246
2028 and thereafter	25,248	206,258	3,763	30,741

23. Supplementary schedule of asset retirement obligations

Because the amounts of asset retirement obligations on April 1, 2021, and March 31, 2022, were not more than 1% of the combined totals of liabilities and net assets on the respective dates, preparation of a supplementary schedule of asset retirement obligations is omitted in accordance with paragraph 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

24. Others

Litigation

Litigation related to pile installation

On November 28, 2017, Mitsui Fudosan Residential Co., Ltd. filed suit (hereinafter “First Lawsuit”) in the Tokyo District Court against the three companies of Sumitomo Mitsui Construction Co., Ltd., Hitachi High-Tech Corporation (company name changed from Hitachi High-Technologies Corporation on February 12, 2020), and Asahi Kasei Construction Materials Corporation, a subsidiary of the Company, seeking compensation for damages of approximately ¥45.9 billion (subsequently changed to approximately ¥51.0 billion) related to the cost of rebuilding a condominium complex in Yokohama City due to concerns of unsound installation of a portion of foundation piles; Sumitomo Mitsui Construction being the prime contractor for construction of said condominium complex, Hitachi High-Tech the primary subcontractor for pile installation, and Asahi Kasei Construction Materials the secondary subcontractor for pile installation. Asahi Kasei Construction Materials holds that there is no basis for Mitsui Fudosan Residential’s claim, and will make this argument during the proceedings of the First Lawsuit.

Related to the First Lawsuit, on April 27, 2018, Sumitomo Mitsui Construction filed suit (hereinafter “Second Lawsuit”) against Hitachi High-Tech and Asahi Kasei Construction Materials seeking compensation for any damages it may incur in the First Lawsuit. Regarding this Second Lawsuit, the date of service of complaint to Asahi Kasei Construction Materials was May 14, 2018. Asahi Kasei Construction Materials holds that there is no basis for Sumitomo Mitsui Construction’s claim, and will make this argument during the proceedings of the Second Lawsuit.

Related to the First Lawsuit and Second Lawsuit, on May 25, 2018, Hitachi High-Tech filed suit (hereinafter “Third Lawsuit”) against Asahi Kasei Construction Materials seeking compensation for any damages it may incur in the First Lawsuit or Second Lawsuit. Asahi Kasei Construction Materials holds that there is no basis for Hitachi High-Tech’s claim, and will make this argument during the proceedings of the Third Lawsuit.

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Independent Auditor's Report

To the Board of Directors of Asahi Kasei Corporation

Opinion

We have audited the consolidated financial statements of Asahi Kasei Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

In the audit of consolidated financial statements of the previous period, we determined that following matters were key audit matters.

- Assessment of whether impairment indicators exist for goodwill as it relates to the acquisition of Polypore International, LP
- Valuation of intangible assets identified in connection with the acquisition of Veloxis Pharmaceuticals A/S as of the acquisition date

From the matters communicated with those charged with governance in the current fiscal year, we verified which matters were appropriate to be treated as key audit matters considering the changes in the assessment of significant risk and areas of higher risk of material misstatement, significant judgments in our audit, the impact of material events or transactions that occurred in the current fiscal year, and the relative importance in our audit and company-specific matters.

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As a result, we concluded that the following matter identified as a key audit matter in the audit of consolidated financial statements of the previous period was not relevant in the current fiscal year, since the valuation of intangible assets identified in connection with the acquisition was completed in the previous fiscal year.

- Valuation of intangible assets identified in connection with the acquisition of Veloxis Pharmaceuticals A/S as of the acquisition date

Assessment of whether impairment indicators exist for goodwill as it relates to the acquisition of Polypore International, LP	
Key audit matter description	How our audit addressed the key audit matter
As described in Note 3 to the consolidated financial statements, the Company's consolidated goodwill balance was JPY 431,335 million (12.9% of total assets) as of March 31, 2022. Of this amount, JPY 125,533 million arose as a result of the acquisition of Polypore International, LP (hereinafter referred to as "Polypore") completed in the fiscal year ended March 31, 2016 and was the most monetarily significant of the total goodwill balance. The goodwill related to Polypore was recorded in the Separator business under the Material segment and the Company assessed the impairment indicators based on a larger unit that consists of an asset group related to the Separator business together with goodwill. The Company supplies both wet-process and dry-process separators for lithium-ion batteries, including the product line of Polypore. In particular, the Company expects to create synergies in the area of lithium-ion battery applications for eco-friendly cars such as hybrid vehicles and electric vehicles. The business plan for the Separator business, to which the goodwill of Polypore belongs, assumes rapid expansion of the market for eco-friendly cars through 2025, and the sales and operating income of the Separator business will increase accordingly. However, since the eco-friendly car market is a growing market with rapidly evolving technology and intensifying competition, sales and operating income projections in the business plan may not be achieved if management is not able to respond to unexpected changes in the business environment appropriately. Regarding the asset group of the Separator business to which Polypore's goodwill belongs,	In order to assess whether impairment indicators existed for goodwill as it relates to the acquisition of Polypore, we performed the following procedures: • We evaluated the design and operating effectiveness of the internal controls as they relate to the determination of asset groups and identification of impairment indicators of fixed assets, including goodwill. • We obtained an understanding of the recent developments in the market for eco-friendly cars through inquiries with management and examining the relevant documents. • We considered if there were significant differences between assumptions for the size and timing of expansion of the market growth for eco-friendly cars on which the latest business plan was based, compared to that used at the time of the acquisition. • We compared the size and timing of expansion of the market growth for eco-friendly cars in management's business plan to the production volume estimates published by external research organizations. • We ensured the business performance of the asset group to which Polypore's goodwill belongs and evaluated whether there were consistent negative operating results.

the Company concluded that no impairment indicators existed based on the following facts and circumstances. • The performance of the Separator business did not fall into the category of "consistent negative operating results" specified in the accounting standards as an impairment indicator. • There were no significant differences between assumptions for the size and timing of expansion of the market growth for eco-friendly cars on which the latest business plan was based, compared to that used at the time of the acquisition. As a result of the monetary significance of the goodwill balance at the Separator business and the achievability of the business plan due to unexpected changes in the business environment involved management's judgment, we determined that the assessment of whether impairment indicators existed for goodwill as it relates to the acquisition of Polypore was a key audit matter.	

Other Information

Other information comprises information included in a document containing audited financial statements, but does not include the financial statements and our auditor's report thereon. We have determined that there is no other information and thus have not performed any work on other information.

Responsibilities of Management and Those Charged with Governance 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 and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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, and 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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.

大野 功

Isao Ohno

Designated Engagement Partner
Certified Public Accountant

天野 祐一郎

Yuichiro Amano

Designated Engagement Partner
Certified Public Accountant

村田 賢士

Satoshi Murata

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC

August 10, 2022