Note: This document is an excerpt translation of the Annual Securities report (The 73rd Fiscal Year from April 1, 2022 to Mar 31, 2023), which was originally prepared in Japanese. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Report

FROM APRIL 1, 2022
TO MARCH 31, 2023

Hosiden Corporation

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Ⅰ. [Business Overview]

1 [Management policy]

The Company's approach to management policy, business environment and issues to be addressed. are as follows. Note that matters related to future developments mentioned in this section are judgments of the Group that were made as of the end of the fiscal year under review.

(1) Basic policy on corporate management

The Company has contributed to the development of the electronics market by timely supplying high-quality and sought-after products, which are backed by advanced technology and a complete quality management system, to the market at all times as an electronic component manufacturer.

Moving forward, while the electronics market demands technologies and products that are more sophisticated and have greater functionality with the rapid evolution of AI technology and advanced driver-assistance system (ADAS) technology and the spread of the Internet of Everything (IoE: everything is connected to the Internet), the Company will support customers' corporate strategies with its unique advanced technology.

The Company will support the businesses of customers and contribute to the development of the global electronics markets by analyzing the latest global information and introducing its unique technology.

In terms of its environmental activities, the Company promotes earth-friendly activities, and will take measures to reduce the environmental burden, including acquiring ISO 14001 certification, reducing product energy consumption and size, and promoting the reduction and total abolition of environmentally controlled substances for its products. Furthermore, the Company recognizes addressing carbon neutrality as a corporate responsibility, and will proactively make efforts in this area and promote appropriate information disclosure.

(2) Medium- to long-term corporate management strategy

The electronics industry, to which the Company belongs, is rapidly changing due to a dizzying pace of technological innovations such as digitalization and networking, and even more promising products and technologies are created one after another there. The smartphone, tablet device and Internet-related devices are expected to witness the progress of high-speed communications and advanced features, not only 5G but with an eye to 6G as well, and grow further while combined with traditional consumer electronics/AV and gaming markets, and are expected to come into wider use rapidly. In the automotive-related business, CASE* and ADAS are entering a period of diffusion and expansion, and thus the circle (type and quantity) of electronic components and devices used is expanding as onboard electronic devices become more sophisticated. In addition, the expansion of medical/health/cosmetics-related markets due to the increase in the number of elderly people and the expansion of markets related to IoE for improving productivity, mainly in industrial devices, are also fully expected, and thus significant growth is anticipated for the electronic component industry as a whole.

Amid such trends, the Company will make efforts to ensure and expand net sales and profits on a consolidated basis and enhance corporate value by offering extensive product lineups, technological capabilities that cater to diverse customer needs, fine-tuned services centered on customer satisfaction, etc. as an electronic component manufacturer.

In addition, the Company has started a medium-term (three-year) technology plan to strengthen the technology and research and development systems of the Company and group companies, and is actively working to speed up and streamline development by taking stock of past technologies and reconstructing the strengths of its own products (devices). The Company will seek to strongly develop its unique technological products that cater to market needs, including new module products, sensor-related products for IoE, and high-voltage and high-current-related products. Specifically, the Company will achieve this by focusing particularly on honing core technologies and thus accumulating, enhancing and sharing the following technologies and measures: electro-mechanical design technology, high-frequency design technology, acoustic design technology, optical design technology, circuit design technology, metal mold design technology, simulation technology, analytical technology, software development, EMC measure design technology, sensor development, and application technology, etc.

In terms of production, the Company will proceed with automation and labor-saving, including the utilization of industrial robots, with a sense of speed and will work to reduce costs and stabilize quality.

ESG management and contributions to the SDGs are global trends that companies and society are striving to achieve, and we will also continue to proactively work toward these goals.

* CASE: A coined word connecting the four first initials of the English words that represent a next-generation technology and new wave for cars: Connected (getting connected), Autonomous (autonomous driving), Sharing (sharing with others) and Electricity (electrification)

(3) business environment

The business environment surrounding the electronic component industry, to which the Group belongs, shows a steady growth of the automotive-related demand backed by further advancing electrification, due to environmental measures and wide use of ADAS, etc. Wearable devices and AI devices are expected to drive electronic component demand significantly. Moreover, infrastructure demand that aims to achieve higher speed and larger capacity in line with the development of the cloud environment, as well as the environment, power-saving and new energy-related markets, are also expected to create new component demand.

(4) issues to be addressed.

As for the Group, it will consider bolstering and newly establishing production bases in the ASEAN countries in terms of production. The Company will also further increase efficiency and speed of overall management, promote mechanization, automation, and labor-saving to further enhance quality and cost competitiveness, enhance financial results, bolster its profitability structure and also enhance and bolster compliance system, corporate social responsibility (CSR) system, internal control system, information security management system, risk management system, etc. toward the enhancement of corporate value.

In terms of quality, the Group has acquired ISO 9001 certification in all its production bases. Especially in its production bases for the automotive-related business, the Group acquired IATF 16949 certification and will make efforts to enhance and stabilize its quality.

As for environmental initiatives, the Group will, as a whole, promote the following: acquiring ISO 14001 certification at all its production bases; earth-friendly product design and production activities; environmentally controlled substance measures through green procurement, the RoHS Directive, the REACH regulations, etc.; and the initiatives to reduce the environmental burden including resource conservation/power-saving activities, reduction in wastes and recycling. Accordingly, the Group will pay attention to the environment across all of its business activities and continue to improve its environmental management system proactively.

Furthermore, toward the achievement of carbon neutrality, the Company has established the Sustainability Committee, and will promote concrete initiatives and make efforts for appropriate information disclosure.

As for achieving management mindful of cost of capital and stock prices, the Company will fully analyze and study the current situation and disclose the results as soon as a concrete plan is formulated.

(5) Objective indicators to measure the status of achievement of management goals

The Company has set net sales and operating profit as its management goals, and the results of the fiscal year under review are stated in “4 Management’s analysis of financial position, operating results and cash flows (2) Analysis and discussions of operating results from the viewpoint of management.”

2 [The Company's Approach to Sustainability and Its Initiatives]

The Company's approach to sustainability and its initiatives are as follows.

Note that matters related to future developments mentioned in this section are judgments of the Group that were made as of the end of the fiscal year under review.

(1) Governance and risk management regarding sustainability in all its aspects

The Group aims for sustainable social development as well as ongoing value creation and competitive enhancement of the Hosiden Group (Hosiden Corporation and its affiliates). The Sustainability Committee, which is headed by the President and CEO, the CSR Committee and the Risk Management Committee conduct activities as governance bodies for sustainability in all its aspects. The Sustainability Committee oversees the Company's overall strategy on climate change, formulates basic policies and medium- to long-term plans, and proposes or reports them to the President and CEO. The CSR Committee oversees the Company's overall strategies on "fair trade and business ethics," "human rights and labor conditions," "operational health and safety," "environmental protection," etc., formulates basic policies and medium- to long-term plans and proposes or reports them to the President and CEO. The Risk Management Committee continuously monitors whether the risk management system is functioning effectively and reports it to the President and CEO. In the risk management rules, the Company defines risk as factors that may hinder the Group from achieving its business objectives. The Group's basic policy for risk management is to minimize the damage that can be caused to the Group if risks materialize, and to prevent any significant adverse impact on its customers, business partners, employees, surrounding areas, and other stakeholders related to the Group. Identified risks are appropriately classified and evaluated based on impact on the business and occurrence frequency, and countermeasures are considered and implemented according to the magnitude of their importance.

(2) Key sustainability items

The following are the key sustainability items of the Group identified through the governance and risk management mentioned above:

- Climate change
- Human capital

The Group's approach to and initiatives for sustainability regarding each item are as follows.

(i) Climate change

With regard to the response to the risks and opportunities related to climate change, the Sustainability Committee, headed by the President and CEO, promotes the formulation of basic policies, medium- to long-term plans, and information disclosure based on the TCFD, as well as periodic reporting to the Board of Directors. The Sustainability Committee is chaired by the Executive Officer in charge of issues related to climate change and consists of the heads of the Production Management Division, Management Planning Division, Environmental Management Division, Technology Management Division, and General Affairs Division. The Committee oversees the Group's overall strategy on climate change and considers the setting of greenhouse gas emission reduction targets and the introduction of renewable energy. The Group regards global warming as a major problem that affects its survival and believes it is necessary to engage in a Group-wide effort to prevent global warming. Therefore, the Group is committed to reducing greenhouse gas emissions by identifying CO2 emission volumes and setting reduction targets for the whole Group. Regarding the CO2 emission reduction targets (Scope 1, Scope 2), the Group has set its mid-term target at 20% per unit of net sales by the end of FY2025, compared to FY2013, and actually reduced approximately 48% in FY2022. The Group has also set its long-term reduction target at 46% from FY2013 levels by the end of FY2030, and actually reduced approximately 30% in FY2022.

(ii) Human capital

In 2007, the Group formulated the Hosiden Group Code of Conduct for Corporate Social Responsibility (CSR) including "human rights and labor conditions" and "operational health and safety," in efforts to realize sustainable social development as well as ongoing value creation and competitiveness enhancement of the Group. With regard to recruitment, development and retention of human resources, and policies for health and safety of employees, the Human Resources Development Committee, headed by the General Manager of Personnel Division, formulates basic policies, drafts medium- to long-term plans and regularly reports on matters to be discussed to the Board of Directors. The Group has adopted strategies concerning human capital such as “respecting human rights and the right of employees to work,” “complying with laws and regulations related to health and safety and creating a work environment where employees can work safely in good physical and mental health,” “respecting the individuality of our diverse workforce and realizing a work environment in which all employees can thrive,” “developing strong employees who are independent, self-reliant, and self-responsible” and “maintaining and promoting health of employees and of their families.” As part of the initiative for “respecting the individuality of our diverse workforce,” the Group has developed systems such as providing additional benefits in addition to the maternity allowance (mutual aid cooperation business) to promote female active participation, with an aim to achieve a 100% return-to-work ratio after maternity or childcare leave. The Group has also completed creating a playing field in which female employees can be active over the long term, and 10% of all female employees have changed their career path from general to career/business positions. Furthermore, while the Group has a high male employee ratio due to the large number of technical personnel hired, it has been making efforts such as aiming to increase the number of female new graduates to 10% or more of all hires. Although female new graduates employed was 0% in FY2023, they accounted for 16% when combined with FY2022; therefore, the target was achieved for the past two years as a whole. In addition, the Group works on recruitment of foreign nationals by setting a quota for hiring international students, and encourages senior employees to play an active role by developing a post-retirement re-employment system suited to the abilities, preferences and lifestyles of the employees and also by developing training for senior employees.

3 [Business and Other Risks]

Among the matters related to the business condition, financial information, etc. described in this Securities Report, the significant risks which the management recognizes as potentially affecting financial conditions, operating results and cashflows of the consolidated companies are as follows.

Any forward-looking statements included in this section are based on the judgement of the Group as of the filing date of the Securities Report.

(1) Economic factors

Since most of the products made by the Group are components installed in final products manufactured by assembly manufactures, the business of the Group may be adversely affected by scaling back on production by such assembly manufactures due to recessions in major markets including Japan, Asia, the U.S. and Europe.

(2) Foreign exchange rate fluctuations

The Group operates its businesses in many parts of the world and thus is influenced by foreign exchange rate fluctuations. A majority of net sales in overseas and domestic markets are denominated in foreign currencies. Items denominated in local currencies including sales, expenses, assets and liabilities in different regions are converted to yen to create consolidated financial statements; therefore, the value after conversion to yen may be affected by the foreign exchange rates at the time of conversion.

As a countermeasure for this, the Group works to match the currency in which it sells goods to its customers with the currency in which it produces and purchases goods. In addition, the Group enters into forward exchange contracts as necessary.

(3) Price competitions

The competition in the electronics industry, to which the Group belongs, is fierce, and the Group is expected to face intensified competitions in product markets and regional markets. Some of the competitors of the Group may have better resources for research and development, manufacturing and sales than the Group. Downward pressures on prices are expected to increase in major markets of the Group, and the price competition may adversely affect the financial results of the Group.

(4) Price fluctuations and supply conditions of raw materials

Products produced by the Company use various kinds of metals and petrochemical products as raw materials. The Group takes a policy-based approach in procurement of important resources; however, surges in raw material prices and aggravation of supply conditions may have significant impact on production and costs of the Group. Shortages and price increases of semiconductors, non-ferrous metals and resin materials have been continuing to this date, affecting the financial results of the fiscal year under review. They may also affect the financial results of the fiscal year ending March 31, 2024.

(5) Logistics-related risks

For production and sales of the Company's products, raw materials and components must be delivered from suppliers to the Company, and the Company's products must be delivered to customers. There are risks due to sluggish logistics and surging costs associated with these activities. In the fiscal year under review, global shortages of containers, shipping delays and increases in transportation costs impacted the financial results of the fiscal year under review. They may also affect the financial results of the fiscal year ending March 31, 2024.

(6) Technological innovations and demand trends

Markets related to the businesses of the Group are influenced by rapid technological innovations and changes in demand associated with them. Due to frequent technological innovations in the industry, existing products of the Group may become obsolete in a relatively short period of time. If the Group cannot fully predict the changes of the industry and markets and cannot develop appealing new products, the Group's financial results may be adversely affected. Moreover, since 67.0% of the Group's net sales are from Nintendo Co., Ltd., the trend of orders placed by Nintendo and the trend of demand for amusement (game) devices may influence the Group's financial results.

(7) Overseas business-related risks

A substantial part of the Group's production and sales activities takes place outside Japan, for example, in Asia, the U.S. and Europe. The overseas businesses in these regions are susceptible to various uncertainties, in particular, the risks below:

(i) Unfavorable political or economic factors
(ii) Unexpected legal or regulatory changes
(iii) Hinderance to securing human resources
(iv) Impact of potentially unfavorable tax increases
(v) Social turmoil due to war, terrorism, epidemics, earthquakes, disasters, riots and other factors

The Group has been highly dependent on its production bases in China in recent years, and the Group's businesses will be largely affected if any of the risks above occurs. Thus, the Group is working on risk mitigation by increasing production capacities in South East Asia. The situation in Russia and Ukraine does not directly affect the Group at this time, but shutdowns at customer plants due to disruptions in the supply chain could result in a decline in demand. In China where the zero COVID policy had been in place, a situation developed, though temporarily, in which the Company's plants and offices as well as its customers' plants suspended their operations and logistics slowed down. This impacted the financial results of the Company. Social disruptions like these could happen in any other country in the future.

(8) Cyber attacks

The Group has confidential information of its customers obtained through business activities as well as that of its own. In case the Group is hit by a cyber attack (cyber attacks have become increasingly diverse and sophisticated in recent years), its important data may be destroyed, falsified or leaked, which could significantly affect the business continuity of the Group.

As countermeasures for these, the Group has enhanced its post-detection response by adopting a system to detect, analyze and report cyber attacks, as well as by reinforcing security of the entry points of the attacks. Furthermore, the Group trains and educates its employees through formulating rules on how to handle important information.

(9) Dilution of equity

The Group issued convertible bonds with share acquisition rights on September 21, 2017. If the share acquisition rights are exercised, the value per share of the Company will be diluted according to the percentage of bonds that are converted to stocks. This could affect the share prices of the Company.

(10) Epidemic-related risks

Due to the COVID-19 pandemic, plants and offices of the Group in China temporarily suspended their operations, which affected the financial results of the Group for the fiscal year ended March 31, 2023. Currently, the pandemic is on a downward trend, and economic activities have resumed in many countries.

However, resurgence of COVID-19 or spread of any other highly infectious communicable disease could affect the financial results of the Company.

At the Board of Directors meetings of the Company, the demand trends of customers, the status of plant operations, the status of operations and logistics of the Group and its supply chains are reported, and measures against infection of employees and for continuation of production are discussed to minimize relevant risks.

(11) Risks related to tightening of environment-related regulations

Carbon neutrality, contribution to achieving SDGs and ESG management are goals expected not only by investors but also by customers. A delay in the Group's efforts for carbon neutrality in particular will expose the Group to a risk of a decrease in orders placed by customers. Although the burden of expenses could increase as a result of tackling these issues, the Group will take measures to meet the requests of its investors and customers by proactively taking environmental measures.

(12) Risks associated with the aging society with low birthrate

The Japanese society has been aging with dwindling birthrates, and there is a risk of being unable to obtain human resources as planned. To grapple with the problem, the Company will promote work style reforms including reduction of overtime work hours and strengthen mid-career recruitment as well as new graduate recruitment to secure talented human resources.

4 [Management's Analysis of Financial Position, Operating Results and Cash Flows]

Note that matters related to future developments mentioned in this section are judgments that were made as of the last day of the fiscal year under review.

(1) Overview of operating results, etc.

(i) Overview of operating results during the fiscal year ended March 31, 2023

During the fiscal year ended March 31, 2023 (from April 2022 to March 2023), in the world economy, countries saw an acceleration in the inflation rate due to factors such as soaring prices of raw materials and energy triggered by Russia's invasion of Ukraine. In response to this, other countries have continued to tighten monetary policy, and because of their policy difference with our country, a rapid depreciation of the yen continued through the first half. However, in the second half of the year, the yen returned to appreciation due to a slowed pace of U.S. interest rate hikes as well as a partial shift in policy of the Bank of Japan.

With regard to the impact of the novel coronavirus disease ("COVID-19"), economic activity has resumed in many countries, including the lifting of the zero COVID policy in China, and the economy is showing signs of gradual recovery.

On the other hand, geopolitical risks continue, such as issues between Russia and Ukraine and China and Taiwan, and financial instability triggered by the collapse of some U.S. financial institutions at the end of the fiscal year.

In the electronic component industry to which the Company (the "Group") belongs, semiconductor shortages in the automotive-related market have still not been completely resolved. As for the mobile communications-related market, sales have been in a downward trend due to a decline in consumer demand and the impact of inflation.

Under such circumstances, the Group increased net sales as a whole, due partly to the impact of a depreciation of the yen. Specifically, net sales of the automotive-related business decreased due to the termination of life cycles for some products, but the amusement-related business grew significantly, and there was growth in the mobile communications-related business and the AV equipment-related business.

With regard to profits, increased sales and a weaker yen compared to the previous fiscal year boosted operating profit. Ordinary profit and profit attributable to owners of parent also increased as foreign exchange gains were recorded.

During the fiscal year under review, as a result, consolidated net sales was 277,244 million yen (up 33.5% year on year). With regard to profits, the Group posted operating profit of 15,750 million yen (up 34.3% year on year), ordinary profit of 18,984 million yen (up 20.3% year on year) with foreign exchange gains of 2,490 million yen in line with foreign exchange fluctuations, and profit attributable to owners of parent of 12,637 million yen (up 6.2% year on year).

The net sales and segment profit or loss for the reportable segments are as follows:

Net sales for the electro-mechanical components segment was 248,063 million yen (up 40.0% year on year) due to increases in the amusement-related and mobile communications-related businesses, and segment profit was 13,575 million yen (up 49.5% year on year).

Net sales for the acoustic components segment was 16,907 million yen (up 22.4% year on year) due to an increase in the AV equipment-related business and the automotive-related business while the segment profit was 1,241 million yen (up 8.1% year on year).

Net sales for the display components segment was 3,901 million yen (down 53.7% year on year) due to a decrease in the automotive-related business, and the segment loss was 623 million yen (segment profit of 213 million yen for the previous year).

Net sales for the applied equipment and other segment was 8,371 million yen (up 2.8% year on year) due to an increase in the AV equipment-related business, and the segment profit was 1,556 million yen (up 21.2% year on year)

(Note) Net sales by segment are net sales to unaffiliated customers plus internal sales or transfers between segments.

(ii) Overview of financial position for the fiscal year ended March 31, 2023

At the end of the fiscal year under review, total assets increased 8,467 million yen from the end of the previous fiscal year to 179,993 million yen mainly due to increases in cash and deposits and trade receivables despite a decrease in inventories. Total liabilities increased 1,247 million yen from the end of the previous fiscal year to 53,239 million yen mainly due to increases in trade payables and income taxes payable despite a decrease in other current liabilities.

Net assets increased 7,219 million yen from the end of the previous fiscal year to 126,753 million yen mainly due to an increase in retained earnings, resulting in an equity-to-asset ratio of 70.4%.

(iii) Overview of cash flows for the fiscal year ended March 31, 2023

At the end of the fiscal year under review, cash and cash equivalents (the “net cash”) increased 3,538 million yen from the end of the previous fiscal year to 66,017 million yen (a decrease of 7,042 million yen in the previous fiscal year).

The status of respective cash flows during the fiscal year under review and their factors are as follows:

Cash flows from operating activities

Net cash provided by operating activities was 20,765 million yen (a decrease of 1,230 million yen in the previous fiscal year). This was mainly due to profit before income taxes of 18,527 million yen (profit before income taxes of 16,306 million yen in the previous fiscal year), depreciation of 3,385 million yen (3,185 million yen in the previous fiscal year), an increase in trade receivables of 8,286 million yen (a decrease of 2,183 million yen in the previous year), a decrease in inventories of 12,017 million yen (an increase of 13,115 million yen in the previous fiscal year), and income taxes paid of 5,232 million yen (3,942 million yen in the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities was 9,852 million yen (a decrease of 3,059 million yen in the previous fiscal year). This was mainly due to an increase in time deposits of 3,733 million yen (a decrease of 275 million yen in the previous fiscal year), payments into long-term deposits of 3,000 million yen (no payments in the previous fiscal year), and purchase of property, plant and equipment of 2,818 million yen (3,823 million yen in the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was 7,437 million yen (a decrease of 3,748 million yen in the previous fiscal year). This was mainly due to purchase of treasury shares of 3,000 million yen (1,775 million yen in the previous fiscal year) and dividends paid of 4,287 million yen (1,411 million yen in the previous fiscal year).

(iv) Production, orders received and sales

a. Production results

The production results by segment during the fiscal year under review are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Electro-mechanical components	247,829	38.2
Acoustic components	17,132	13.4
Display components	3,764	(58.7)
Applied equipment and other	8,395	(1.7)
Total	277,121	30.6

(Note) The amounts shown are sales prices.

b. Order received

The orders received by segment during the fiscal year under review are as follows:

Segment name	Orders received (Millions of yen)	YoY change (%)	Backlog (Millions of yen)	YoY change (%)
Electro-mechanical components	222,619	20.0	24,423	(51.0)
Acoustic components	17,581	21.5	4,912	15.9
Display components	2,676	(72.7)	1,922	(69.1)
Applied equipment and other	8,108	(9.2)	3,016	(8.0)
Total	250,985	14.8	34,274	(46.1)

(Note) The amounts shown are sales prices.

c. Sales results

Sales results by segment during the fiscal year under review are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Electro-mechanical components	248,063	40.0
Acoustic components	16,907	22.4
Display components	3,901	(53.7)
Applied equipment and other	8,371	2.8
Total	277,244	33.5

(Note) 1 The sales results by the major customer and the ratio thereof to the total sales results are as follows:

Customer	Previous fiscal year		Current fiscal year	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
Nintendo Co., Ltd.	118,013	56.8	185,639	67.0

2 The amounts shown are sales prices.

3 Amounts and percentages that are less than 10% are omitted.

(2) Analysis and discussions of operating results, etc. from the viewpoint of management

Recognition, analysis and discussions of the Group's operating results, etc. from the viewpoint of management are as follows. Note that matters related to future developments mentioned in this section are judgments of the Group that were made as of the end of the fiscal year under review.

(i) Recognition, analysis and discussions of operating results, etc. for the fiscal year under review

Recognition and analysis of operating results, etc. for the fiscal year under review are as stated in "I Business Overview 4 Management's analysis of financial position, operating results and cash flows (1) Overview of operating results, etc.

The competition is fierce in the business environment surrounding the Company, and the demand for the Group's main staples such as amusement-related and mobile communications-related components is largely influenced by demand trends of the final products these main staples are installed in. Constant introduction of new technologies in the electronics industry has been closely related to the Group's forecast of demand trends and its trends of R&D activities and is a factor that has a significant impact on its operating results.

The Company set net sales and operating profit as its management targets, and the targets for the fiscal year under review were 210,000 million yen for net sales and 10,000 million yen for operating profit, respectively. The results were 277,244 million yen for net sales and 15,750 million yen for operating profit.

The net sales achieved the target, owing to steady sales to major customers, an easing of the semiconductor shortage and the depreciation of the yen.

The operating profit achieved the target due to sales exceeding the target and the depreciation of the yen.

(ii) Cash flows analysis

Cash flows analysis is as stated in "I. [Business Overview] 4 [Management's analysis of financial position, operating results and cash flows] (1) Overview of operating results, etc. (iii) Overview of cash flows for the fiscal year ended March 31, 2023"

Analysis of capital sources and liquidity of the Group is as follows.

The Group's main working capital demand comes from operating expenses such as manufacturing costs and selling, general and administrative expenses. Demand for funds for investment is due in part to capital investment.

The basic policy of the Group is to ensure the liquidity and sources of funds necessary for business operations in a stable manner.

Short-term working capital comes principally from its own capital and short-term borrowings from banks and financial institutions while capital investment and long-term working capital are procured mainly from its own capital, borrowings from banks and financial institutions and issuance of bonds with share acquisition rights.

(iii) Significant accounting estimates and assumptions used to make the accounting estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted as fair and reasonable in Japan.

In preparing consolidated financial statements, the Company makes certain estimates and judgements concerning uncollectible accounts, inventory assets, investments, corporate taxes, retirement allowance, contingencies, etc. in accordance with various factors that are considered reasonable based on the past results and conditions. Because of the uncertainty inherent in estimates, the actual results may differ from the estimates.

(Allowance for doubtful accounts)

Allowance for doubtful accounts is as stated in “V Financial Information 1 Consolidated Financial Statements, etc. (1) Consolidated financial statements Notes to Consolidated financial statements (Important basis of consolidated financial statements).”

(Valuation of inventories)

Valuation of inventories is as stated in “V Financial Information 1 Consolidated Financial Statements, etc. (1) Consolidated financial statements Notes to Consolidated financial statements (Important basis of consolidated financial statements).”

(Retirement benefit expenses and retirement benefit liability)

To prepare for payments of retirement benefits to employees, provisions are made based on the projected retirement benefit obligation and pension plan asset as of the end of each fiscal year. These provisions take into account significant estimates including promotion rates, mortality rates as well as long-term expected rates of return on plan assets.

(Deferred tax assets)

Regarding deferred tax assets, taxable income is estimated based on the Company’s future profit plan and temporary differences in future subtractions that are considered recoverable are recorded. If a change in the preconditions or assumptions used in assessing the taxable income results in a decrease in the taxable income, deferred tax assets may be reduced and tax expenses may be recorded.

5 [Critical Contracts for Operation]

None applicable

6 [Research and Development Activities]

The total amount of R&D expenses for the Group’s main developed products was 2,020 million yen for the fiscal year under review.

The status of R&D activities by segment for main developed products during the fiscal year under review are as follows.

(1) R&D in the electro-mechanical components segment

(i) The Company has developed a “Coaxial connector with enhanced EMC performance” to meet the EMC demand that has been increasing with the emergence of communication infrastructure such as ECUs, 5G and V2X for autonomous driving and advanced safety systems. This connector uses a diecast housing structure, realizing compact size, high durability and high EMC performance sought after by automobile manufacturers. In addition, the design of the connection to the GND of the mounting board is optimized, whereby a connecting spring is provided to enable electrical connection to the GND of a metal enclosure, such as in an ECU, greatly improving EMC performance as compared to our conventional products. This assures a wide bandwidth of DC to 10 GHz, covering next-generation Ser/Des (Serializer/Deserializer) and next-generation communication standards. Further, six types of keying variations for the connector satisfy the needs of customers who use multiple units such as integrated ECUs for autonomous driving and advanced safety systems.

(ii) In Europe, the “USB Type-C Unification Law” will soon be effective, and charging ports are increasingly installed as standard equipment in automobiles. Amid such circumstances, the Company has developed a USB Type C connector “In-vehicle USB Charger.” Starting with a single-port 15 W specification, the Company also offers products that support the two-port type and USB-PD (Power Delivery), offering a wide-product lineup. An illumination function is added to the USB connector opening for easy plugging and unplugging even in a dark car.

(iii) The Company has developed an “In-vehicle 15 W Wireless Charger,” which takes into consideration environmental resistance such as operating temperature, vibration and water exposure for automobiles, as well as EMC performance such as power supply voltage fluctuations and electromagnetic wave interference. The product is compatible with the wireless charging standard “Qi Specification” and is able to output up to 15 W. The product also has functions of "charging halts during Smart Key operation" to prevent interference with Smart Key and "IC-Card protection" to detect an IC card in a smartphone case.

(iv) The Company has developed a "Floating type Coaxial connector" for in-vehicle cameras, supporting high-speed signals (6 Gbps). The newly developed floating structure accommodates positional deviations of ±0.5 mm in all directions (x, y, z) due to the receptacle and rear enclosure assembly being mated during the camera module assembly process, as well as an angular misalignment shift of ±1.5 degrees. The product enables high-speed signal transmission (6 Gbps) supporting next-generation Ser/Des (Serializer/Deserializer) even when connected with the maximum alignment deviation. Moreover, a unique shield contact design minimizes degradation of the transmission and EMC characteristics.

(v) The Company has developed a "Vibration Sensor for Anomaly Detection," which covers a wide frequency bandwidth of up to 6,000 Hz. The purpose of the product is status monitoring of various types of equipment and detection of abnormal vibrations therein to save labor and improve efficiency. The product covers a wide bandwidth from 100 to 6,000 Hz and thus is able to detect abnormal conditions of various types of equipment and predict possible failures. Installation of the product is easy as the sensor can be retrofitted to the target equipment using a magnet or adhesive.

(vi) Every in-vehicle coaxial connector and harness assembly, including the products in the series production lines and the products to be launched in series production lines, have been verified for compliance with the MIPI A-PHY standard. This allows the Company to meet customer needs; for example, customers who currently use products of the Company can change the ECU interface to the latest MIPI A-PHY without reselecting connectors or changing the cable routing system.

(2) R&D in the acoustic components segment

(i) The Company has developed "A2B® (Automotive Audio Bus) Array Microphone." Amid the progress of autonomous driving, automobiles are expected to provide "comfort and convenience" to people in the cabin of a car on the road, in addition to "safety and security." This product will contribute to the development of autonomous driving technologies through various uses such as hands-free communications, audio guidance including ANC (Active Noise Control) and in-vehicle communication, and warning sounds. The Company has been developing various acoustic components that support A2B®, the next generation technology. The A2B® digital microphone is equipped with a beamforming function that accurately captures the speaker's voice supports comfortable hands-free communication and has acoustic characteristics that can be used for ANC. With A2B® speakers, it facilitates communication between passengers in the front and back seats of a car. A2B® Acceleration Sensor for Automotive Use sends an inverse audio signal back immediately against road noise and can be used for ANC that removes noise. For external use, the Company is developing and commercializing an A2B® Array Microphone that detects approaching emergency vehicles.

(3) R&D in the display components segment

(i) One of the major features of Perovskite solar cells is that Perovskite solar cells have uniquely suitable light sensitivity, such as increased sensitivity across the spectrum of visible light. While crystal silicon has strong sensitivity in the infrared, Perovskite solar cells, for indoor lighting, have shown conversion ratios exceeding those of silicon. Leveraging its potential and aiming to set up a business base as soon as possible, the Company has been pursuing applications of these solar cells as a power source for IoT devices and smartphones. Now, the Company is designing and developing parasitic power modules containing secondary cells that can be equipped with sensors or Bluetooth communication modules, to support the development efforts of its strategic partners who are considering installation in equipment designed for indoor use.

(ii) The mid-air haptic technology device allows the formation of haptic sensations representing various sizes and shapes of objects in the air, without the necessity of seeing the operation panels. The Company has been developing specifications for smaller and thinner products, aiming to expand markets for various commercial products in the future. Furthermore, the device employs a system that directly senses detection signals from input devices such as a touch panel without going through the user's CPU and creates haptic sensations. With this system, the device's usability will significantly improve.

(4) R&D in the applied equipment and other segment

(i) The Company has developed a “Cooling and heating equipment using a Peltier device.” The device leverages the Peltier effect, both endothermic and exothermic, by changing the magnitude of the current and the polarity of the voltage , and thus enables controlling temperature freely such as cooling and heating. It produces little noise and vibrations because it is small and light with no movable parts. Therefore, it can be installed in various types of equipment. With this feature, the device is expected to be used for outdoor and work clothing. It is also an environmentally-friendly product because it does not need a refrigerant such as CFC.

II. [Corporate Governance]

1 [Overview of corporate governance]

(i) Basic policy on corporate governance

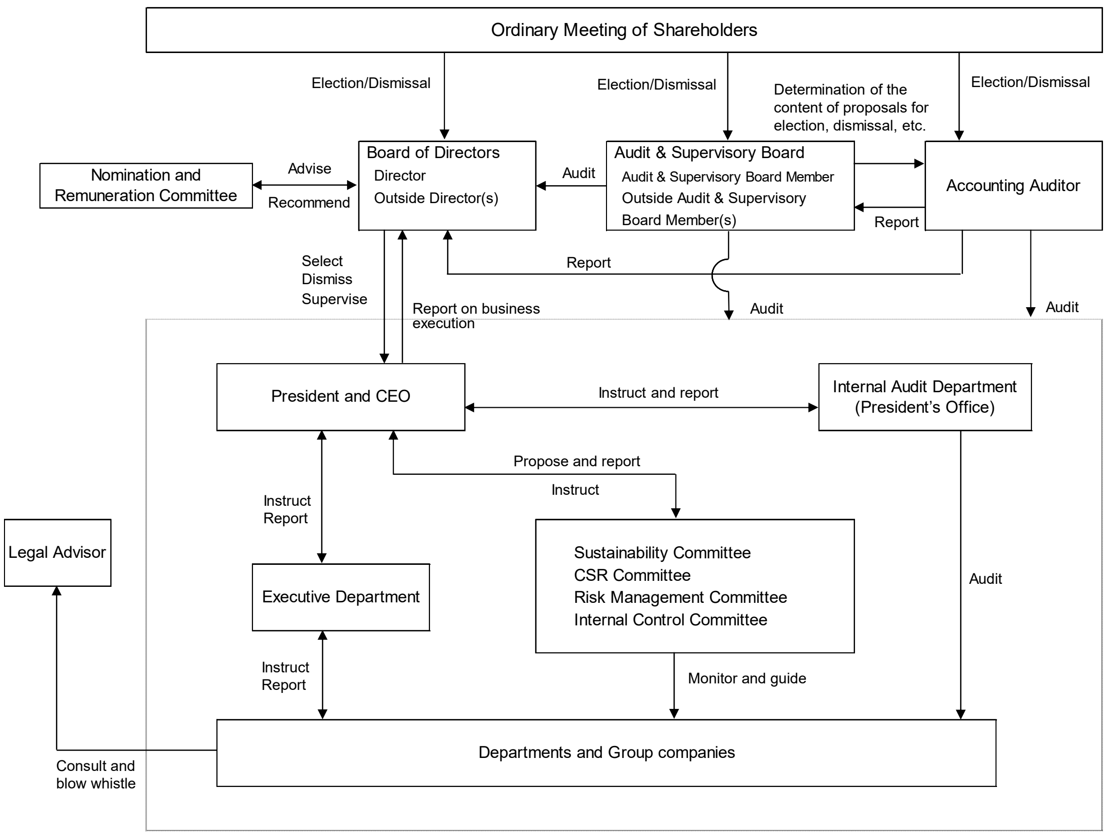
The Company regards corporate governance as an important issue, and its basic approach is to focus on the interests of all shareholders who support its corporate activities, under the recognition that it is extremely important to maximize shareholder value.

<Basic Policy>

1. We will strive to ensure the rights and equality of shareholders.
2. We will strive to appropriately collaborate with stakeholders other than shareholders (customers, business partners, creditors, local community, employees, etc.).
3. We will strive to ensure appropriate information disclosure and transparency.
4. We will strive to appropriately carry out the roles and responsibilities of the Board of Directors to ensure transparent, fair, prompt and decisive decision-making by the Board of Directors.
5. We will strive to engage in constructive dialogue with shareholders in order to contribute to sustainable growth and medium- to long-term enhancement of corporate value.

(ii) Overview of the Company’s corporate governance system and the reason for adopting the system

The Company’s corporate governance system is as follows.



(Board of Directors)

The Board of Directors is chaired by Kenji Furuhashi, President and CEO, and consists of six members (of whom two are Outside Directors) as of June 29, 2023. Please refer to “(2) Members of the Board of Directors and Audit & Supervisory Board members (i) List of Members of the Board of Directors” for the names of Directors. In addition to monthly regular meetings of the Board of Directors, extraordinary Board of Directors meetings are held as necessary to make resolutions on important items and check the status of the business performance. The Company thus establishes a system that enables swift management decisions and thorough compliance. The executive officer system clarifies the decision-making, supervisory and business execution functions in management and speeds up business execution.

During the fiscal year under review, the Company held a Board of Directors meeting once a month in principle. The attendance of each Director and Audit & Supervisory Board member is as follows.

Director/Audit & Supervisory Board Member	Name	Number of meetings held	Number of meetings attended
Director	Kenji Furuhashi	12	12
Director	Haremi Kitatani	12	11
Director	Shigemi Dochi	12	12
Director	Kanemasa Mizuta	12	12
Director	Hiroshi Horie	12	12
Director	Susumu Maruno	12	11
Audit & Supervisory Board Member	Shinji Hombo	12	12
Audit & Supervisory Board Member	Takayuki Tanemura	12	12
Audit & Supervisory Board Member	Masakatsu Maruyama	12	12

(Note) In addition to the Board of Directors meetings above, there were four written resolutions made, which deemed that the resolutions were passed at the Board of Directors meeting, pursuant to the provisions of Article 370 of the Companies Act and the provisions of Article 22 of the Articles of Incorporation of the Company.

The specific matters that were discussed include a monthly report on financial results, an industry trend report and a report on the COVID-19-related status. The following matters were also discussed and resolved.

- Approval of financial statements, etc.
- Convocation of the general meeting of shareholders and proposals for the meeting
- Details of a restricted stock remuneration plan
- Policy for determining details of remuneration, etc. for individual directors.
- Decision on remuneration, bonuses and restricted stock remuneration for individual directors
- Partial amendment to the share handling regulations
- Conclusion of the limited liability contract with directors
- Purchase and cancellation of treasury shares
- Interim dividend

The above is not a complete list of matters discussed and resolved.

(Audit & Supervisory Board)

The Audit & Supervisory Board is chaired by Shinji Hombo, Audit & Supervisory Board member, and consists of three members (of which two are Outside Audit & Supervisory Board members) as of June 29, 2023. Since two of the members are Outside Audit & Supervisory Board members, the Company considers that a system for management monitoring is in place that monitors the execution of duties of Directors from an objective point of view. Through attending important meetings such as Board of Directors meetings, the three Audit & Supervisory Board members provide advice on and proposals for the Company’s management based on their broad insight and wide experience cultivated through their careers. The Company believes that the purpose of strengthening the audit function is sufficiently thus achieved.

(Nomination and Remuneration Committee)

The Nomination and Remuneration Committee consists of two Independent Outside Directors and the President and CEO.

Upon consultation from the Board of Directors, the Committee deliberates on the following matters and offers advice and proposals to the Board of Directors.

・Matters regarding election and dismissal of Directors
・Matters regarding remuneration for Directors
・Matters regarding a succession plan (including development)

<Members> Kenji Furuhashi (Chairperson), Hiroshi Horie (Outside Director) and Susumu Maruno (Outside Director)

During the fiscal year under review, the Company held two meetings of the Committee. The attendance of each Director is as follows.

Title	Name	Number of meetings held	Number of meetings attended
Director	Kenji Furuhashi	2	2
Outside Director	Hiroshi Horie	2	2
Outside Director	Susumu Maruno	2	2

The specific matters discussed include the following:

・Details of a restricted stock remuneration plan
・Matters regarding remuneration for individual Directors
・Selection plan for the next generation of candidates for Directors

(Accounting Auditor)

The Company has concluded a contract with Deloitte Touche Tohmatsu LLC as its Accounting Auditor. The Company receives audits required under the Financial Instruments and Exchange Law and the Companies Act, and confirms various matters regarding accounting treatment and auditing with the Accounting Auditor as needed.

(Legal advisor)

The Company has concluded advisory contracts with two legal firms and obtains advice as necessary.

(Internal Audit Department)

The Internal Audit Department consists of the President's Office/Management Planning Division and Legal Division. From a strict neutral standpoint, it inspects and evaluates all business activities and systems of all consolidated Group companies in light of the Company's rules and standards, and offers proposals for and advice on improvement of management efficiency and asset protection. It also aims to contribute to business administration by engaging in prevention of fraud and errors and facilitating communication among various divisions.

The Company has adopted an Audit & Supervisory Board member system. As mentioned above, the Company believes that corporate governance is functioning with this system in place.

(iii) Other matters regarding corporate governance

With respect to internal control, the Board of Directors has resolved the basic policy for building an internal control system of the Company in order to have a system to ensure proper and appropriate corporate operations. Based on the basic policy, the Company has formulated the basic rules for internal control regarding financial reporting and, in accordance with the basic rules, developed a system that enables effective internal control.

In terms of risk management, the Company has developed relevant regulations regarding management risks and chooses managers responsible for each of the risks. In accordance with the regulations, the Company has developed a system to ensure effective risk management.

In order to ensure proper and appropriate operations of its subsidiaries, the Company has developed a system in which organizations in charge of operations of the subsidiaries oversee necessary matters and assess the status of their operations in accordance with the management regulations of its affiliates. Directors of subsidiaries, etc. make important reports such as management plans, progress reports and financial reports at meetings of the Board of Directors or the Management Committee and receive suggestions, advice, additional proposals, etc. from the members of the members of these meetings. The Management Planning Division and the Legal/Control Division have built a system to assess the status of business execution and ensure proper and appropriate corporate operations by providing necessary instructions, advice, and guidance to the subsidiaries, etc.

The Company has concluded a limited liability contract that limits the amount of liability to the extent stipulated in Article 423, Paragraph 1 of the Companies Act with each of the Outside Directors and the Outside Audit & Supervisory Board members, pursuant to the Articles of Incorporation of the Company and the provisions of Article 427, Paragraph 1 of the Companies Act.

(iv) Basic policy on control of the Company

The overview of the Company's policy on control of the Company is as follows.

The shares of the Company, which is a listed company, are to be freely traded by shareholders and investors; therefore, even if there is an offer for a large-scale purchase or a similar act for the Company's shares, the Company will not reject such a proposal or act indiscriminately and believes that ultimately, the decision must be left to the discretion of the shareholders.

The Company believes that those who control decisions on the Company's financial and business policies must have a full understanding of the Company's basic management philosophy, its sources of corporate value and its relationship of trust with stakeholders who support the Company, and must ensure and improve the Company's corporate value and the common interests of the shareholders over the medium to long term. For this reason, the Company deems that anyone who makes an inappropriate offer of a large-scale purchase or engages in a similar act that would damage its corporate value or the common interests of the shareholders is inappropriate as a person who controls decisions on the Company's financial and business policies. This is the Company's policy on those who control decisions on the Company's financial and business polices.

(v) Number of Directors

The Company stipulates in its Articles of Incorporation that the number of Directors of the Company shall be three or more.

(vi) Requirements for a resolution to elect Directors

The Company stipulates in its Articles of Incorporation that a resolution to elect Directors shall be made by a majority of the votes of the shareholders present at a shareholders meeting where shareholders holding one third or more of the votes of the shareholders entitled to exercise their votes thereat are present, and that the resolution shall not rely on cumulative voting.

(vii) Decision-making body for purchase of treasury shares

The Company stipulates in its Articles of Incorporation that the Company may acquire its treasury shares through market transactions by a resolution of the Board of Directors, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act. The purpose of this provision is to enable agile execution of capital policy in response to changes in the business environment.

(viii) Decision-making body for interim dividend

The Company stipulates in its Articles of Incorporation that the Company may distribute interim dividends every year by a resolution of the Board of Directors with the record date of September 30. The purpose of this provision is to enable agile shareholder returns.

(ix) Requirements for a special resolution of a general meeting of shareholders

The Company stipulates in its Articles of Incorporation that such a resolution as stipulated in Article 309, Paragraph 2 of the Companies Act shall be made by two thirds or more of the votes of the shareholders present at a meeting where shareholders representing one third or more of the votes of the shareholders entitled to vote thereat are present. The purpose of this provision is to enable smooth operation of a general meeting of shareholders.

(x) Overview of liability insurance policy for directors and officers

The Company has entered into a liability insurance policy for directors and officers with an insurance company, pursuant to the provisions of Article 430-3, Paragraph 1 of the Companies Act. The insurance policy compensates for damages incurred as a result of claims for damages arising from actions taken in connection with the performance of duties, as well as the costs of disputes related to such claims.

The principal executives, including Directors, Audit & Supervisory Board members and Executive Officers, are the insured of the liability insurance policy, and all the insurance premiums incurred by the insured are borne by the Company.

As a measure to ensure that the appropriateness of the execution of duties by the insured person is not impaired, the Company does not compensate for damages caused by illegal acquisition of personal benefits or conveniences, damages caused by criminal acts and damages caused by acts committed while knowing violations of laws and regulations.

2 [Shareholdings]

(i) Classification standards and approach for investment equity securities

The Company classifies investment equity securities into those for pure investment, which are held solely for the purpose of gaining benefits from fluctuations of the stock value or from the receipt of dividends, and those for purposes other than pure investment.

(ii) Investment equity securities held for purposes other than pure investment

a. Details of verification at Board of Directors meetings, etc. regarding stock holding policy, method for verifying the rationality of stock holding, and appropriateness of holding individual stocks

The Company holds shares of its business partners with an aim to facilitate, maintain and develop a long-term and stable relationship with them and contribute to increasing medium- to long-term corporate value.

The Company's policy is that Board of Directors meetings, etc. verify the appropriateness of holding individual stocks and sell stocks which are determined to have little significance.

b. Number of stocks and amount recorded in the balance sheet

	Number of stocks	Total amount recorded in balance sheet (Millions of yen)
Unlisted stocks	4	103
Shares other than unlisted stocks	21	4,537

(Stocks whose number increased during the fiscal year under review)

	Number of stocks	Total acquisition price relating to increase in number of stocks (Millions of yen)	Reason for increase
Unlisted stocks	–	–	–
Shares other than unlisted stocks	–	–	–

(Stocks whose number decreased during the fiscal year under review)

	Number of stocks	Total sales price relating to decrease in number of stocks
Unlisted stocks	–	–
Shares other than unlisted stocks	–	–

c. The number of stocks as per issue name for specified investment equity securities and for deemed holdings of equity securities, as well as the amount recorded in the balance sheet

Specified investment equity securities

Name of securities	Number of shares (shares) Amount recorded in balance sheet (Millions of yen) Current fiscal year	Number of shares (shares) Amount recorded in balance sheet (Millions of yen) Previous fiscal year	Purpose of holding, outline of business alliances, quantitative holding effects, and reason of the increase in the number of shares	Hosiden shareholders
Murata Manufacturing Co., Ltd.	148,500 1,193	148,500 1,205	(Purpose of holding) The Company procures parts and materials from the company mainly in the “Applied equipment and other” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
Tokio Marine Holdings, Inc. (Note) 2	297,675 758	99,225 707	(Purpose of holding) The Company has insurance transactions with the company, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
Hulic Co., Ltd.	461,400 501	461,400 508	(Purpose of holding) The Company has insurance transactions with the company, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
YOKOWO CO., LTD.	188,000 392	188,000 486	(Purpose of holding) The Company procures parts and materials from the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
Nintendo Co., Ltd. (Note) 3	59,400 304	5,940 366	(Purpose of holding) The Company sells products to the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	No
NICHICON CORPORATION	194,500 268	194,500 228	(Purpose of holding) The Company procures parts and materials from the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
Mizuho Financial Group, Inc.	90,133 169	90,133 141	(Purpose of holding) The Company has funding transactions such as financing and settlement with the company, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes

Name of securities	Number of shares (shares) Amount recorded in balance sheet (Millions of yen)		Purpose of holding, outline of business alliances, quantitative holding effects, and reason of the increase in the number of shares	Hosiden shareholders
	Current fiscal year	Previous fiscal year		
Sharp Corporation	144,670	144,670	(Purpose of holding) The Company sells products to the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	No
	134	166		
Mitsubishi UFJ Financial Group, Inc.	146,780	146,780	(Purpose of holding) The Company has funding transactions such as financing and settlement with the company, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
	124	111		
DAISHINKU CORP.	157,600	157,600	(Purpose of holding) The Company procures parts and materials from the company mainly in the “Applied equipment and other” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
	114	190		
AIPHONE CO., LTD.	54,000	54,000	(Purpose of holding) The Company sells products to the company mainly in the “Acoustic components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
	110	110		
ICOM INCORPORATED	42,250	42,250	(Purpose of holding) The Company sells products to the company mainly in the “Applied equipment and other” segment , and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
	106	104		
CMK Corporation	211,600	211,600	(Purpose of holding) The Company procures parts and materials from the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
	96	131		
Yamaha Corporation	14,000	14,000	(Purpose of holding) The Company sells products to the company mainly in the “Applied equipment and other” segment , and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	No
	71	74		

Name of securities	Number of shares (shares)		Purpose of holding, outline of business alliances, quantitative holding effects, and reason of the increase in the number of shares	Hoside n shareholders
	Amount recorded in balance sheet (Millions of yen)			
	Current fiscal year	Previous fiscal year		
Sumitomo Mitsui Financial Group, Inc.	11,456	11,456	(Purpose of holding) The Company has funding transactions such as financing and settlement with the company, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
	60	44		
Daiwa Securities Group Inc.	62,441	62,441	(Purpose of holding) The Company has funding transactions such as financing and settlement with the company, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	Yes
	38	43		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	8,160	8,160	(Purpose of holding) The Company sells products to the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	No
	32	28		
NEC Corporation	6,063	6,063	(Purpose of holding) The Company sells products to the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	No
	30	31		
SUNCALL CORPORATION	29,348	29,348	(Purpose of holding) The Company procures parts and materials from the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	No
	17	14		
Sumitomo Heavy Industries, Ltd.	2,736	2,736	(Purpose of holding) The Company procures parts and materials from the company mainly in the “Display components” segment. As a result of a share exchange executed for the shares of the company that the Company had held in order to facilitate, maintain and develop the business relationship with the company, the company became a wholly-owned subsidiary. Now, the Company holds the shares of its parent company. (Quantitative holding effects) (Note) 1	No
	8	7		
JVCKENWOOD Corporation	1,756	1,756	(Purpose of holding) The Company sells products to the company mainly in the “Electro-mechanical components” segment, and holds the shares to facilitate, maintain and develop the business relationship. (Quantitative holding effects) (Note) 1	No
	0	0		

(Note) 1. Since it is difficult to state quantitative effects of holding specified investment equity securities, the Company states the verification method of the reasonableness of holding them. Matters such as the significance of holding individual shares and whether or not benefits and risks associated with holding them are worth capital costs are discussed at Board of Directors meetings, etc. where shares of each company are examined in terms of factors such as holding purpose, holding risk, market value, and dividend yield to determine whether to hold them or not.

2. Tokio Marine Holdings, Inc. carried out a three-for-one stock split of its common stock as of October 1, 2022.

3. Nintendo Co., Ltd. carried out a ten-for-one stock split of its common stock as of October 1, 2022.

Deemed holdings of equity securities

None applicable

(iii) Investment equity securities held for pure investment

None applicable

III. [Consolidated financial statements and significant notes thereto]

1 [Consolidated balance sheets]

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	*1 49,794	*1 57,418
Notes receivable - trade	1,253	1,302
Accounts receivable - trade	24,611	33,667
Securities	13,699	13,335
Merchandise and finished goods	9,923	9,691
Work in process	3,117	5,107
Raw materials and supplies	38,526	26,469
Trade accounts receivable	2,208	1,567
Other	2,482	3,346
Allowance for doubtful accounts	(45)	(27)
Total current assets	145,572	151,878
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,577	21,462
Accumulated depreciation and impairment	(13,736)	(14,499)
Buildings and structures, net	*1 5,840	*1 6,962
Machinery, equipment and vehicles	25,754	26,475
Accumulated depreciation and impairment	(19,532)	(21,215)
Machinery, equipment and vehicles, net	*1 6,221	*1 5,259
Land	3,290	3,035
Construction in progress	777	62
Other	31,975	31,318
Accumulated depreciation and impairment	(29,546)	(29,144)
Other, net	2,429	2,174
Total property, plant and equipment	18,559	17,495
Intangible assets	451	423
Investments and other assets		
Investment securities	4,809	5,643
Retirement benefit asset	267	60
Deferred tax assets	1,025	739
Other	1,130	4,039
Allowance for doubtful accounts	(290)	(287)
Total investments and other assets	6,942	10,195
Total non-current assets	25,952	28,114
Total assets	171,525	179,993

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,614	25,772
Short-term borrowings	2,040	2,189
Income taxes payable	3,179	3,910
Provision for bonuses for directors (and other officers)	155	154
Other	*2 7,315	*2 5,893
Total current liabilities	36,305	37,919
Non-current liabilities		
Bonds with share acquisition rights	10,051	10,030
Deferred tax liabilities	1,253	1,268
Retirement benefit liability	3,577	3,170
Other	803	850
Total non-current liabilities	15,686	15,319
Total liabilities	51,991	53,239
Net assets		
Shareholders' equity		
Share capital	13,660	13,660
Capital surplus	19,596	19,596
Retained earnings	94,320	100,808
Treasury shares	(9,586)	(10,695)
Total shareholders' equity	117,990	123,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,495	2,381
Foreign currency translation adjustment	(1,334)	666
Remeasurements of defined benefit plans	381	334
Total accumulated other comprehensive income	1,542	3,382
Total net assets	119,533	126,753
Total liabilities and net assets	171,525	179,993

2 [Consolidated statements of income and consolidated statements of comprehensive income]

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	207,608	277,244
Cost of sales	*1, *3 185,884	*1, *3 251,487
Gross profit	21,724	25,757
Selling, general and administrative expenses	*2, *3 9,999	*2, *3 10,007
Operating profit	11,725	15,750
Non-operating income		
Interest income	103	368
Dividend income	118	136
Foreign exchange gains	3,558	2,490
Subsidies for employment adjustment	192	131
Other	150	163
Total non-operating income	4,122	3,290
Non-operating expenses		
Interest expenses	35	34
Commission for syndicated loans	17	10
Other	8	10
Total non-operating expenses	61	56
Ordinary profit	15,786	18,984
Extraordinary income		
Gain on sale of non-current assets	*4 370	*4 142
Gain on sale of investment securities	225	–
Other	1	–
Total extraordinary income	598	142
Extraordinary losses		
Loss on sale and retirement of non-current assets	*5 34	*5 31
Impairment losses	*6 43	*6 347
Loss on liquidation of subsidiaries	–	220
Other	–	1
Total extraordinary losses	78	600
Profit before income taxes	16,306	18,527
Income taxes - current	4,391	5,493
Income taxes - deferred	12	396
Total income taxes	4,404	5,889
Profit	11,901	12,637
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	11,901	12,637

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	11,901	12,637
Other comprehensive income		
Valuation difference on available-for-sale securities	(75)	(114)
Foreign currency translation adjustment	1,616	2,000
Remeasurements of defined benefit plans, net of tax	26	(46)
Total other comprehensive income	*1, *2 1,567	*1, *2 1,840
Comprehensive income	13,469	14,477
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,469	14,477
Comprehensive income attributable to non-controlling interests	–	–

3 [Consolidated statements of changes in equity]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,660	19,596	86,668	(10,649)	109,276
Changes during period					
Dividends of surplus			(1,411)		(1,411)
Profit attributable to owners of parent			11,901		11,901
Purchase of treasury shares				(1,775)	(1,775)
Disposal of treasury shares					–
Cancellation of treasury shares			(2,838)	2,838	–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	7,651	1,063	8,714
Balance at end of period	13,660	19,596	94,320	(9,586)	117,990

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,570	(2,951)	355	(25)	109,250
Changes during period					
Dividends of surplus					(1,411)
Profit attributable to owners of parent					11,901
Purchase of treasury shares					(1,775)
Disposal of treasury shares					–
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity	(75)	1,616	26	1,567	1,567
Total changes during period	(75)	1,616	26	1,567	10,282
Balance at end of period	2,495	(1,334)	381	1,542	119,533

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,660	19,596	94,320	(9,586)	117,990
Changes during period					
Dividends of surplus			(4,287)		(4,287)
Profit attributable to owners of parent			12,637		12,637
Purchase of treasury shares				(3,000)	(3,000)
Disposal of treasury shares		6		23	29
Cancellation of treasury shares		(6)	(1,861)	1,868	–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	6,488	(1,108)	5,379
Balance at end of period	13,660	19,596	100,808	(10,695)	123,370

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,495	(1,334)	381	1,542	119,533
Changes during period					
Dividends of surplus					(4,287)
Profit attributable to owners of parent					12,637
Purchase of treasury shares					(3,000)
Disposal of treasury shares					29
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity	(114)	2,000	(46)	1,840	1,840
Total changes during period	(114)	2,000	(46)	1,840	7,219
Balance at end of period	2,381	666	334	3,382	126,753

4 [Consolidated statements of cash flows]

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	16,306	18,527
Depreciation	3,185	3,385
Impairment losses	43	347
Increase (decrease) in allowance for doubtful accounts	(30)	(57)
Increase (decrease) in retirement benefit liability	(364)	(442)
Interest and dividend income	(221)	(504)
Interest expenses	35	34
Loss (gain) on sale and retirement of non-current assets	(336)	(111)
Loss (gain) on valuation of investment securities	–	1
Decrease (increase) in trade receivables	2,183	(8,286)
Decrease (increase) in inventories	(13,115)	12,017
Decrease (increase) in operating accounts receivable	(135)	640
Decrease (increase) in other assets	612	(629)
Increase (decrease) in trade payables	(7,274)	663
Increase (decrease) in other liabilities	1,687	(685)
Other, net	(230)	569
Subtotal	2,346	25,468
Interest and dividends received	199	421
Interest paid	(26)	(24)
Proceeds from subsidies for employment adjustment	192	131
Income taxes paid	(3,942)	(5,232)
Net cash provided by (used in) operating activities	(1,230)	20,765
Cash flows from investing activities		
Decrease (increase) in time deposits	275	(3,733)
Payments into long-term deposits	–	(3,000)
Purchase of property, plant and equipment	(3,823)	(2,818)
Proceeds from sale of property, plant and equipment	404	427
Purchase of investment securities	(100)	(1,002)
Proceeds from sale of investment securities	342	–
Purchase of intangible assets	(134)	(134)
Other, net	(24)	408
Net cash provided by (used in) investing activities	(3,059)	(9,852)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(456)	–
Purchase of treasury shares	(1,775)	(3,000)
Dividends paid	(1,411)	(4,287)
Other, net	(104)	(150)
Net cash provided by (used in) financing activities	(3,748)	(7,437)
Effect of exchange rate change on cash and cash equivalents	995	62
Net increase (decrease) in cash and cash equivalents	(7,042)	3,538
Cash and cash equivalents at beginning of period	69,522	62,479
Cash and cash equivalents at end of period	* 62,479	* 66,017

[Notes]

Significant matters serving as the basis for preparation of consolidated financial statements

(1) Matters regarding scope of consolidation

The Company has all of its subsidiaries consolidated, whose number is 21.

Taiwan Hosiden Co., Ltd., which had been included in the scope of consolidation until the previous fiscal year, was removed from the scope as a result of liquidation of the company.

(2) Matters regarding fiscal year of consolidated subsidiaries

Of consolidated subsidiaries, the closing date of the following six overseas consolidated subsidiaries is December 31: Qingdao Hosiden Electronics Co., Ltd., Hosiden Electronics (Shanghai) Co., Ltd., Hosiden (Shenzhen) Co., Ltd., Hosiden Technology (Qingdao) Co., Ltd., Hosiden Vietnam (Bac Giang) Co., Ltd., and China Hosiden Co., Ltd. In preparing consolidated financial statements for the fiscal year under review, the Company uses the financial statements as of December 31, but made necessary consolidation adjustments for significant transactions that occurred thereafter until the consolidated closing date.

(3) Matters regarding accounting policies

(i) Valuation standards and methods for significant assets

Securities

Available-for-sale securities

Non-marketable securities other than stocks, etc.

Market value method (Valuation difference is recognized directly into net assets in full, and the cost of securities sold is calculated based on the moving average method.)

Non-marketable securities, stocks, etc.

Moving average cost method

Derivatives

Market value method

Inventories

The Company and domestic consolidated subsidiaries mainly use the periodic average method (values on the balance sheet are subject to the carrying amount reduction method based on decreased profitability). Meanwhile, overseas consolidated subsidiaries use the lower of cost or market method (using the first-in, first-out method) for merchandise, and mainly the periodic average or weighted average method for finished goods, work in process, raw materials and supplies.

(ii) Depreciation and amortization method for significant depreciable assets

Property, plant and equipment

The Company and domestic consolidated subsidiaries use the diminishing balance method. However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and also structures acquired on or after April 1, 2016. Overseas consolidated subsidiaries mainly use the straight-line method.

The useful lives of principal assets are as follows.

Buildings and structures: 31-50 years

Machinery, equipment and vehicles: 5-9 years

Intangible assets

Straight-line method. Software for internal use is amortized by the straight-line method based on the internal usable period (five years).

(iii) Standards for recognizing significant provisions

Allowance for doubtful accounts

To prepare for bad debt expenses, the estimated uncollectable amounts regarding normal receivables are recognized using the loan loss ratio, and the estimated uncollectable amounts regarding certain receivables, such as doubtful receivables, are recognized by separately examining their collectability.

Provision for bonuses for directors

To prepare for bonus payments to directors, the relevant provision is recognized based on the estimated payment amount.

(iv) Accounting method for retirement benefits

Period attribution method for the expected retirement benefits

For calculating retirement benefit obligations, the benefit formula standards are used regarding the method of attributing the expected retirement benefits to the periods until the fiscal year under review.

Expensing method for actuarial gains and losses

Actuarial gains and losses are amortized by the straight-line method over a period within the average remaining service years for employees (mainly five years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

Accounting method for unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses are recognized at the remeasurements of defined benefit plans item of accumulated other comprehensive income in net assets after adjusting tax effects.

(v) Standards for recognition of significant revenues and expenses

The Group's principal business is developing, manufacturing, and selling electronic components. Sales transactions to customers are based on the terms and conditions determined by agreement with the customer, and revenue is recognized when the performance obligation is satisfied by the transfer of control of the product to the customer. For product sales, the Company determines that the performance obligation is satisfied when the customer obtains control over the product at the time of delivery. However, for domestic product sales, the Company recognizes revenue at the time of shipment to the domestic delivery location designated by the customer.

(vi) Scope of net cash in the consolidated statement of cash flows

The scope of net cash (cash and cash equivalents) in the consolidated statement of cash flows includes cash on hand, deposits drawable at any time, and short-term investments that are readily convertible to cash, are exposed to insignificant risks of changes in value and are redeemable within three months.

(vii) Accounting treatment for non-deductible consumption taxes on assets

Non-deductible consumption taxes and local consumption taxes on assets are treated as expenses for the fiscal year under review.

(Significant accounting estimates)

Valuation of inventories

(i) Amount recorded in the consolidated financial statements for the fiscal year under review.

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
Raw materials and supplies	38,526	26,469

(ii) Details of significant accounting estimates related to the identified items

Inventories are qualitatively evaluated based on the periods of retention. Some of the amusement-related raw materials are evaluated by comparing an appropriate inventory level, which is based on the potential orders by customers and future usability, and the volume of inventories at the end of the fiscal year. If the appropriate level of inventories significantly changes due in part to changes in the market environment that were unpredictable at the time of estimation, the amount of raw materials may be affected in the consolidated financial statements for the next fiscal year.

(New accounting standards not yet applied)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, ASBJ)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, ASBJ)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(1) Outline

Transfer of practical guidelines on tax effect accounting of the Japanese Institute of Certified Public Accountants (JICPA) to ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No.28, Partial Amendments to Accounting Standard for Tax Effect Accounting (hereinafter, "ASBJ Statement No.28, etc.") in February 2018. During the deliberations, it had been determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28, etc. The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of subsidiary shares, etc. (shares of subsidiaries or affiliates) when the group taxation regime is applied

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance

The effects of application of Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements are currently under evaluation.

(Notes - Consolidated balance sheet)

*1 Pledged assets and secured debt

A revolving security interest for borrowings from banks has been created over the assets below; however, the Company has no borrowings on the credit facility.

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Buildings and structures	62 million yen	61 million yen
Machinery, equipment and vehicles	229 million yen	206 million yen
Total	292 million yen	268 million yen

In addition to the above, time deposits have been pledged as collateral to guarantee transactions of overseas consolidated subsidiaries.

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Time deposits	5 million yen	7 million yen

*2 Of “Other,” the amount of contract liabilities is as follows.

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Contract liabilities	0 million yen	1 million yen

3 Syndicated commitment line agreement

The Company has a commitment line agreement with a syndicate of three banks to ensure efficient procurement of working capital. The commitment term ended during the fiscal year under review. The unused balances of lending commitments for the Company under the agreement are as follows:

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Total lending commitments	18,000 million yen	–
Outstanding borrowings	1,000 million yen	–
Unused balance	17,000 million yen	–

(Notes - Consolidated statements of income)

*1 The inventory balance at the end of the period represents the balance after writing down the book value due to decreased profitability. The following loss on valuation of inventories (the amount after the reversal of inventory write-down) is included in cost of sales.

Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
165 million yen	298 million yen

*2 Of Selling, general and administrative expenses, major items and the amounts thereof are as follows:

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Employees’ salaries and bonuses	3,695 million yen	3,762 million yen
Retirement benefit expenses	83 million yen	125 million yen
Provision of allowance for doubtful accounts	7 million yen	7 million yen
Provision for bonuses for directors (and other officers)	150 million yen	155 million yen
Packing and transportation costs	1,985 million yen	1,661 million yen

*3 Total research and development expenses included in Selling, general and administrative expenses and manufacturing costs for the current period.

Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
2,187 million yen	2,020 million yen

*4 Details of gain on sale of non-current assets are as follows:

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Buildings and structures, land and other	342 million yen	125 million yen
Machinery, equipment and vehicles	23 million yen	13 million yen
Tools, furniture and fixtures	4 million yen	4 million yen
Total	370 million yen	142 million yen

*5 Details of loss on sale and retirement of non-current assets are as follows:

Loss on retirement

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Buildings and structures	0 million yen	0 million yen
Machinery, equipment and vehicles	0 million yen	0 million yen
Tools, furniture and fixtures; metal molds; and other	8 million yen	3 million yen
Total	9 million yen	4 million yen

Loss on sale

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Machinery, equipment and vehicles, and other	25 million yen	16 million yen
Land	- million yen	10 million yen
Total	25 million yen	27 million yen

*6 Impairment losses

Previous fiscal year (From April 1, 2021 to March 31, 2022)

The Group recorded impairment losses for the following asset group.

Location	Use	Category	Amount
Japan	Acoustic components Manufacturing facility	Machinery, equipment and vehicles	28 million yen
		Tools, furniture and fixtures, and dies	14 million yen
Total			43 million yen

The Group groups assets based on the units in which the Group continuously recognizes profit and loss, taking into account their relevance in the manufacturing process, etc.

Price competitions in the markets are severe, and losses have been continuously recorded for the above asset group. Because recovery of either net sales or profit is unlikely, the Group wrote down the book value to the recoverable value, and recorded the amount reduced as impairment losses in the extraordinary losses section. The recoverable amount of the asset group is calculated using the value in use, and the discount rate is 5.33%.

Current fiscal year (From April 1, 2022 to March 31, 2023)

The Group recorded impairment losses for the following asset group.

Location	Use	Category	Amount
Japan	Display components Manufacturing facility	Buildings and structures	222 million yen
		Machinery, equipment and vehicles	72 million yen
		Tools, furniture and fixtures, and dies	31 million yen
		Software	20 million yen
Total			347 million yen

The Group groups assets based on the units in which the Group continuously recognizes profit and loss, taking into account their relevance in the manufacturing process, etc.

Both net sales and profit for the above asset group are on a declining trend due to decreasing demand of major customers. The Group estimated future cash flows and found that the earning power was not sufficient to recover the asset value. Accordingly, the Group wrote down the book value to the recoverable value and recorded the amount reduced as impairment losses in the extraordinary losses section. The recoverable value of the asset group is calculated using the value in use; however, the future cash flows are negative and thus the value of use is zero. Since the future cash flows were negative, the discount rate was omitted.

(Notes - Consolidated statements of comprehensive income)

*1 Reclassification adjustments concerning other comprehensive income (Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	106	(166)
Reclassification adjustments	(225)	–
Total	(119)	(166)
Foreign currency translation adjustment		
Increase (decrease) during the period	1,616	1,890
Reclassification adjustments	–	110
Total	1,616	2,000
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	172	104
Reclassification adjustments	(139)	(140)
Total	32	(36)
Total before tax effect adjustment	1,530	1,797
Tax effects	37	42
Total other comprehensive income	1,567	1,840

*2 Tax effects concerning other comprehensive income (Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Before tax effect adjustment	(119)	(166)
Tax effects	44	52
After tax effect adjustment	(75)	(114)
Foreign currency translation adjustment		
Before tax effect adjustment	1,616	2,000
Tax effects	–	–
After tax effect adjustment	1,616	2,000
Remeasurements of defined benefit plans, net of tax		
Before tax effect adjustment	32	(36)
Tax effects	(6)	(10)
After tax effect adjustment	26	(46)
Total other comprehensive income		
Before tax effect adjustment	1,530	1,797
Tax effects	37	42
After tax effect adjustment	1,567	1,840

(Notes - Consolidated statements of changes in equity)
1 [Previous fiscal year (From April 1, 2021 to March 31, 2022)]

(1) Matters concerning the type and number of shares issued and of treasury shares

	At the beginning of the current fiscal year (Thousands of shares)	Increase during the current fiscal year (Thousands of shares)	Decrease during the current fiscal year (Thousands of shares)	At the end of the current fiscal year (Thousands of shares)
Shares issued				
Common stock (Note) 2	67,710	–	3,000	64,710
Total	67,710	–	3,000	64,710
Treasury shares				
Common stock (Notes) 1 and 2	11,253	1,501	3,000	9,755
Total	11,253	1,501	3,000	9,755

(Note) 1. Details of the increase of 1,501,000 shares in common stock under treasury shares are as follows: increase due to purchase of treasury shares by the resolution of the Board of Directors meeting (1,500,000 shares) and increase due to purchase of treasury shares less than a standard unit (1,000 shares).
2. Details of the decrease of 3,000,000 shares in common stock and of the decrease of 3,000,000 shares in common stock under treasury shares are as follows: decrease due to cancellation of treasury shares.

(2) Share acquisition rights

Category	Description	Type of shares to be issued	Number of shares to be issued (Thousands) (Notes) 2 and 3				Balance at the end of the current fiscal year (Millions of yen)
			At the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	At the end of the current fiscal year	
Reporting company (Parent company)	Yen-denominated convertible bonds with share acquisition rights due in 2024	Common stock	4,231	63	–	4,294	(Note) 1
Total		–	4,231	63	–	4,294	–

(Note) 1. Yen-denominated convertible bonds with share acquisition rights are based on the lump-sum method.
2. The number of shares to be issued indicates the number of shares based on the assumption that the acquisition rights are exercised.
3. The number of shares to be issued increased during the current fiscal year because the conversion price was adjusted from 2,363.30 yen to 2,328.60 yen in accordance with the conversion price adjustment clause.

(3) Dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 29, 2021 Ordinary general meeting of shareholders	Common stock	846	15.0	March 31, 2021	June 30, 2021
November 5, 2021 Board of Directors meeting	Common stock	564	10.0	September 30, 2021	December 2, 2021

(ii) Dividends with the record date in the current fiscal year and the effective date in the following fiscal year.

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend source	Dividends per share (Yen)	Record date	Effective date
June 29, 2022 Ordinary general meeting of shareholders	Common stock	3,022	Retained earnings	55.0	March 31, 2022	June 30, 2022

2 [Current fiscal year (From April 1, 2022 to March 31, 2023)]

(1) Matters concerning the type and number of shares issued and of treasury shares

	At the beginning of the current fiscal year (Thousands of shares)	Increase during the current fiscal year (Thousands of shares)	Decrease during the current fiscal year (Thousands of shares)	At the end of the current fiscal year (Thousands of shares)
Shares issued				
Common stock (Note) 2	64,710	–	1,700	63,010
Total	64,710	–	1,700	63,010
Treasury shares				
Common stock (Notes) 1, 2 and 3	9,755	1,700	1,723	9,731
Total	9,755	1,700	1,723	9,731

(Note) 1. Details of the increase of 1,700,000 shares in common stock under treasury shares are as follows: increase in due to purchase of treasury shares by the resolution of the Board of Directors meeting (1,700,000 shares) and increase due to purchase of treasury shares less than a standard unit (0 shares).
2. Details of the decrease of 1,700,000 shares in common stock are as follows: decrease due to cancellation of treasury shares.
3. Details of the decrease of 1,723,000 shares in common stock under treasury shares are as follows: decrease due to cancellation of treasury shares (1,700,000 shares) and decrease due to disposal of treasury shares as restricted stock (23,000 shares).

(2) Share acquisition rights

Category	Description	Type of shares to be issued	Number of shares to be issued (Thousands) (Notes) 2 and 3				Balance at the end of the current fiscal year (Millions of yen)
			At the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	At the end of the current fiscal year	
Reporting company (Parent company)	Yen-denominated convertible bonds with share acquisition rights due in 2024	Common stock	4,294	168	–	4,463	(Note) 1
Total		–	4,294	168	–	4,463	–

(Note) 1. Yen-denominated convertible bonds with share acquisition rights are based on the lump-sum method.
2. The number of shares to be issued indicates the number of shares based on the assumption that the acquisition rights are exercised.
3. The number of shares to be issued increased during the current fiscal year because the conversion price was adjusted from 2,328.60 yen to 2,240.60 yen in accordance with the conversion price adjustment clause.

(3) Dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 29, 2022 Ordinary general meeting of shareholders	Common stock	3,022	55.0	March 31, 2022	June 30, 2022
November 11, 2022 Board of Directors meeting	Common stock	1,264	23.0	September 30, 2022	December 2, 2022

(ii) Dividends with the record date in the current fiscal year and the effective date in the following fiscal year.

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend source	Dividends per share (Yen)	Record date	Effective date
June 29, 2023 Ordinary general meeting of shareholders	Common stock	2,557	Retained earnings	48.0	March 31, 2023	June 30, 2023

(Notes - Consolidated statements of cash flows)

* Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	49,794 million yen	57,418 million yen
Time deposits with maturities of more than three months	(1,015) million yen	(4,735) million yen
Short-term investments which mature within three months from the acquisition date (securities)	13,699 million yen	13,335 million yen
Cash and cash equivalents	62,479 million yen	66,017 million yen

(Notes - Financial instruments)

1 [Matters regarding the status of financial instruments]

(1) Policies on financial instruments

The Group finances necessary funds mainly through bank loans and issuance of corporate bonds in light of its capital investment plans, etc. Temporary surplus funds are invested mainly in financial instruments with high liquidity, and short-term working capital is sourced through borrowings from banks. Derivatives are used to avoid the risks discussed in the following, and the Group's policy is not to be engaged in any speculative transactions.

(2) Description of financial instruments and related risks

The Group's operating receivables of notes receivable - trade and accounts receivable - trade are exposed to the credit risk of the respective customers. Operating receivables denominated in foreign currencies are exposed to the risk of fluctuations in foreign currency exchange rates. However, in principle, a certain percentage of the exposure is hedged through forward exchange contracts, except for cases in which the claims are less than the balance of accounts payable denominated in the same foreign currency.

Securities are short-term negotiable certificates of deposit, etc. Investment securities are mainly shares in corporations with which the Group has receivables or business relationships, and are exposed to the risk of fluctuations in their market prices.

Notes and accounts payable - trade, which are the operating debts of the Group, have payment dates within one year. Some of them are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign currency exchange rates. However, in principle, a certain percentage of this exposure is hedged through forward exchange contracts, except for cases in which the debts are less than the balance of accounts receivable denominated in the same foreign currency.

Borrowings are mainly used for financing capital investment, research and development, and working capital. Corporate bonds are used for financing capital investment.

Derivatives transactions are forward exchange contracts to hedge currency fluctuation risk associated with operating receivables and payables denominated in foreign currencies.

(3) Risk management structure for financial instruments

(i) Credit risk (risk relating to counterparty not executing contracts, etc.) management

Operating receivables are managed based on the credit control rules of the Company. The sales division regularly monitors the status of major counterparties and manages the due date and balance for each counterparty, and the Company works on mitigation and early detection of concerns over collectability of claims due to deteriorating financial conditions of counterparties. The Company manages its consolidated subsidiaries in a similar way, following the management rules of the Company.

The Group believes that derivatives transactions are exposed to little credit risk because they are conducted only with financial institutions with a high credit rating.

(ii) Market risk (currency and interest rate fluctuation risk) management

Concerning operating receivables and payables denominated in foreign currencies, the Company in principle employs forward exchange contracts to hedge currency fluctuation risk that is recognized by currency by month.

The fair value of securities and investment securities and the financial position of their issuers (business partners) are assessed regularly, and the status of shareholdings is continuously reviewed.

Derivatives transactions are executed by the department in charge with the approval of the approver(s) in accordance with the management rules which provide for transaction authority, transaction limits, etc. Actual monthly transactions are reported to the Board of Directors.

The Company manages its consolidated subsidiaries, following the management rules of the Company.

(iii) Management of liquidity risk (risk that payments are not made on payment date) associated with financing

The Company manages liquidity risk through maintaining liquidity on hand as well as preparing and updating cash flow planning as necessary based on reports from relevant departments.

(4) Supplementary explanation concerning fair value of financial instruments

Factors subject to fluctuations are incorporated in measuring the fair values of financial instruments, and therefore the resulting amounts may change if different preconditions are used. Please note that the contract amounts related to derivatives transactions included in the note “Derivatives and hedge accounting” do not by themselves indicate the market risk associated with derivatives transactions.

(5) Concentration of credit risk

58.7% of operating receivables as of the end of the current fiscal year are for major customers.

2 [Matters regarding fair value of financial instruments]

The following tables indicate the amount recorded in the consolidated balance sheets, the fair value and the difference between them.

Previous fiscal year (As of March 31, 2022)

	Amount recorded in consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Investment securities (*2)	4,704	4,704	–
Total assets	4,704	4,704	–
Bonds with share acquisition rights	10,051	10,000	(51)
Total liabilities	10,051	10,000	(51)
Derivatives transactions (*3)	(3)	(3)	–

Current fiscal year (As of March 31, 2023)

	Amount recorded in consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Investment securities (*2)	5,539	5,539	–
Total assets	5,539	5,539	–
Bonds with share acquisition rights	10,030	10,237	207
Total liabilities	10,030	10,237	207
Derivatives transactions (*3)	(10)	(10)	–

(*1) "Cash and deposits," "Notes receivable - trade," "Accounts receivable - trade," "Trade accounts receivable," "Securities," "Notes and accounts payable - trade," and "short-term borrowings" are omitted because they are settled within a short time and the fair value is almost equal to the book value.

(*2) Non-marketable securities are not included in "investment securities." The amounts of financial instruments recorded in the consolidated balance sheets are as follows.

Category	Previous fiscal year (Millions of yen)	Current fiscal year (Millions of yen)
Unlisted stocks	105	103

(*3) Net receivables and payables, which were derived from derivatives transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

(Note) The redemption schedule after the consolidated balance sheet date of monetary receivables and securities with maturity dates

Previous fiscal year (As of March 31, 2022)

	Due within one year (Millions of yen)	Due after one year but within five years (Millions of yen)	Due after five years but within ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	49,794	–	–	–
Notes receivable - trade	1,253	–	–	–
Accounts receivable - trade	24,611	–	–	–
Trade accounts receivable	2,208	–	–	–
Securities and investment securities				
Other securities with maturities				
(1) Negotiable certificates of deposit	12,700	–	–	–
(2) Bonds (Government bonds)	–	–	–	–
(3) Bonds (Corporate bonds)	1,000	–	–	–
Investments and other assets (other)				
Investments and other assets (other) with maturities				
Long-term deposits	–	–	–	–
Total	91,567	–	–	–

Current fiscal year (As of March 31, 2023)

	Due within one year (Millions of yen)	Due after one year but within five years (Millions of yen)	Due after five years but within ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	57,418	–	–	–
Notes receivable - trade	1,302	–	–	–
Accounts receivable - trade	33,667	–	–	–
Trade accounts receivable	1,567	–	–	–
Securities and investment securities				
Other securities with maturities				
(1) Negotiable certificates of deposit	12,000	–	–	–
(2) Bonds (Government bonds)	–	700	–	–
(3) Bonds (Corporate bonds)	–	–	300	–

	Due within one year (Millions of yen)	Due after one year but within five years (Millions of yen)	Due after five years but within ten years (Millions of yen)	Due after ten years (Millions of yen)
Investments and other assets (other)				
Investments and other assets (other) with maturities				
Long-term deposits	–	3,000	–	–
Total	105,955	3,700	300	–

3 [Matters regarding fair value of financial instruments by levels]

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to calculate the fair values.

Level 1: Fair value derived from observable inputs that are derived from quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value derived from observable inputs that are not included in Level 1 inputs.

Level 3: Fair value derived from unobservable inputs

When multiple inputs that have a significant impact on the fair value calculation are used, the fair value is classified at a lower level category.

(1) Financial instruments recorded in the consolidated balance sheets at fair value

Previous fiscal year (As of March 31, 2022)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	4,704	–	–	4,704
Government bonds	–	–	–	–
Corporate bonds	–	–	–	–
Derivatives transactions				
Currency-related transactions	–	0	–	0
Total assets	4,704	0	–	4,705
Derivatives transactions				
Currency-related transactions	–	4	–	4
Total liabilities	–	4	–	4

Current fiscal year (As of March 31, 2023)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	4,537	–	–	4,537
Government bonds	701	–	–	701
Corporate bonds	–	300	–	300
Derivatives transactions				
Currency-related transactions	–	2	–	2
Total assets	5,239	302	–	5,541
Derivatives transactions				
Currency-related transactions	–	12	–	12
Total liabilities	–	12	–	12

(2) Financial instruments other than those recorded in the consolidated balance sheets at fair value

Previous fiscal year (As of March 31, 2022)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds with share acquisition rights	–	10,000	–	10,000
Total liabilities	–	10,000	–	10,000

Current fiscal year (As of March 31, 2023)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds with share acquisition rights	–	10,237	–	10,237
Total liabilities	–	10,237	–	10,237

(Note) Valuation techniques and inputs used to measure fair value

Investment securities

Fair values of listed stocks, government bonds and corporate bonds are based on prices on the market. Listed stocks and government bonds are classified in Level 1 because they are traded in active markets. Corporate bonds held by the Company are based on prices indicated by financial institutions, and their fair value is classified in Level 2.

Derivatives transactions

Fair value of forward exchange contracts is based on prices indicated by financial institutions, and their fair value is classified in Level 2.

Bonds with share acquisition rights

Fair value of bonds with share acquisition rights is based on prices indicated by financial institutions, and their fair value is classified in Level 2.

(Notes - Investment securities)

(1) Other securities

Previous fiscal year (As of March 31, 2022)

	Category	Amount recorded in consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose amount recorded in the consolidated balance sheets exceeds their acquisition cost	Stock	4,537	964	3,573
	Subtotal	4,537	964	3,573
Securities whose amount recorded in the consolidated balance sheets does not exceed their acquisition cost	(i) Stock	166	187	(20)
	(ii) Bonds	999	999	–
	(iii) Others	12,700	12,700	–
	Subtotal	13,866	13,886	(20)
Total		18,404	14,851	3,552

(Note) Unlisted stocks (whose amount recorded in the consolidated balance sheets is 105 million yen) fall under the category of non-marketable securities and thus are not included in “other securities” in the table above.

Current fiscal year (As of March 31, 2023)

	Category	Amount recorded in consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose amount recorded in the consolidated balance sheets exceeds their acquisition cost	Stock	4,402	964	3,437
	Subtotal	4,402	964	3,437
Securities whose amount recorded in the consolidated balance sheets does not exceed their acquisition cost	(i) Stock	134	186	(51)
	(ii) Bonds	1,001	1,001	(0)
	(iii) Others	13,335	13,335	–
	Subtotal	14,472	14,523	(51)
Total		18,874	15,488	3,386

(Note) Unlisted stocks (whose amount recorded in the consolidated balance sheets is 103 million yen) fall under the category of non-marketable securities and thus are not included in “other securities” in the table above.

(2) Other securities sold during the fiscal year

Previous fiscal year (From April 1, 2021 to March 31, 2022)

Category	Sales proceeds (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
Stock	342	225	–
Total	342	225	–

Current fiscal year (From April 1, 2022 to March 31, 2023)

None applicable

(3) Securities for which an impairment loss was recognized

Previous fiscal year (From April 1, 2021 to March 31, 2022)

None applicable

Current fiscal year (From April 1, 2022 to March 31, 2023)

Impairment loss of 1 million yen was recognized for non-marketable securities under other securities.

When recognizing impairment loss, fair value at the end of the fiscal year that has dropped by 50% or more compared with the acquisition cost is wholly recognized as impairment loss, and fair value at the end of the fiscal year that has dropped by 30 to 50% is recognized as impairment loss for the amount deemed necessary after consideration of recoverability, etc.

(Notes - Derivative transaction)

(1) Derivatives transactions for which hedge accounting is not adopted

Currency-related transactions

Previous fiscal year (As of March 31, 2022)

Category	Type of transaction	Notional principal or contract amount (Millions of yen)	Portion due after one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain or loss (Millions of yen)
Non-market transactions	Forward foreign exchange contracts				
	Sell				
	USD	718	–	(3)	(3)
	Buy				
	CNH	34	–	(0)	(0)
	USD	202	–	0	0
Total		954	–	(3)	(3)

Current fiscal year (As of March 31, 2023)

Category	Type of transaction	Notional principal or contract amount (Millions of yen)	Portion due after one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain or loss (Millions of yen)
Non-market transactions	Forward foreign exchange contracts				
	Sell				
	USD	1,584	–	(11)	(11)
	Buy				
	CNH	38	–	(0)	(0)
	USD	183	–	1	1
Total		1,806	–	(10)	(10)

(2) Derivatives transactions for which hedge accounting is adopted

Previous fiscal year (As of March 31, 2022)

None applicable

Current fiscal year (As of March 31, 2023)

None applicable

(Notes - Retirement benefit expenses)

1 [Description of retirement benefit plans adopted by the Company]

The Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit pension plans and defined contribution pension plans to prepare for employee retirement benefits.

Defined benefit corporate pension plans (all of them are funded plans) provide a lump-sum or pension based on salary and length of service. However, the Company and some of its consolidated subsidiaries have adopted a cash balance plan for the defined benefit corporate pension plan. This plan sets up a virtual individual account corresponding to the funds for the accumulated amount and pension amount is established for each participant. The virtual individual account of the beneficiary who requests to delay receiving the benefit will accumulate credits of interest based mainly on the trend of the market interest rates.

Some of the defined benefit corporate pension plans have a retirement benefit trust set up for them.

A lump-sum retirement benefit plan (though unfunded, may become a funded plan as a result of setting a retirement benefit trust) provides a lump-sum as a retirement benefit based on salary and length of service.

2 [Defined benefit pension plan]

(1) Adjustments between the beginning and ending balances of retirement benefit obligation

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Retirement benefit obligation at the beginning of the year	13,329	12,617
Service cost	514	567
Interest cost	48	67
Actuarial gain and loss generated	(298)	(529)
Retirement benefits paid	(1,111)	(1,213)
Other	135	66
Retirement benefit obligation at the end of the year	12,617	11,575

(2) Adjustments between the beginning and ending balances of plan assets

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Plan assets at the beginning of the year	9,473	9,307
Expected return on plan assets	118	131
Actuarial gain and loss generated	(15)	(599)
Contribution from employer	190	161
Retirement benefits paid	(612)	(611)
Other	154	76
Plan assets at the end of the year	9,307	8,465

(3) Reconciliation of retirement benefit obligation and pension asset at the end of the year with retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Retirement benefit obligation for funded plans	11,160	10,211
Plan assets	(9,307)	(8,465)
	1,852	1,745
Retirement benefit obligation for unfunded plans	1,456	1,364
Net retirement benefit liability and asset reported in the consolidated balance sheets	3,309	3,110
Retirement benefit liability	3,577	3,170
Retirement benefit asset	(267)	(60)
Net retirement benefit liability and asset reported in the consolidated balance sheets	3,309	3,110

(4) Breakdown of retirement benefit expenses

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Service cost	514	567
Interest cost	48	67
Expected return on plan assets	(118)	(131)
Amortization of actuarial gain and loss	(250)	33
Retirement benefit expenses for defined benefit pension plans	193	537

(5) Remeasurements of defined benefit plans, net of tax

Remeasurements of defined benefit plans, net of tax consist of the following (before tax effects).

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Actuarial gain and loss	(32)	36
Total	(32)	36

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consist of the following (before tax effects).

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Unrecognized actuarial gain and loss	(487)	(451)
Total	(487)	(451)

(7) **Plan assets**

(i) Major components of plan assets

Percentages of major components of the total plan assets are as follows.

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
General accounts	32%	33%
Bonds	21%	23%
Investment trust	32%	22%
Cash and deposits	7%	15%
Stock	6%	6%
Other	2%	1%
Total	100%	100%

(ii) Method for determining the long-term expected return on plan assets

To determine the long-term expected return on plan assets, the current and future portfolios of the plan assets held, and the current and future expected long-term returns generated from the various assets constituting the plan assets are considered.

(8) **Assumptions used in actuarial calculations**

Major assumptions used in actuarial calculations

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Discount rates	0.14%	0.26%
Long-term expected rates of return on plan assets	1.25%	1.25%

(Note) Expected future salary increases are not used for calculation of retirement benefit obligation.

3 [Defined contribution pension plans]

The required amounts of contribution to the consolidated subsidiaries' defined contribution pension plans were 33 million yen for the previous fiscal year and 30 million yen for the current fiscal year.

(Notes - Tax effect accounting)

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Deferred tax assets		
Accrued bonuses	271 million yen	236 million yen
Accrued business office tax	144 million yen	169 million yen
Inventories	822 million yen	856 million yen
Impairment losses	365 million yen	303 million yen
Retirement benefit liability	1,442 million yen	1,367 million yen
Tax loss carry forwards (Note) 2	741 million yen	933 million yen
Land	334 million yen	- million yen
Other	533 million yen	510 million yen
Deferred tax assets subtotal	4,657 million yen	4,377 million yen
Valuation allowance for tax loss carry forwards (Note) 2	(741) million yen	(933) million yen
Valuation allowance for the sum of future deductible temporary differences, etc.	(2,078) million yen	(1,862) million yen
Valuation allowance subtotal (Note) 1	(2,820) million yen	(2,795) million yen
Total deferred tax assets	1,836 million yen	1,581 million yen
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(193) million yen	(235) million yen
Reserve for special account for tax purpose reduction entry of non-current assets	(46) million yen	- million yen
Valuation difference on available-for-sale securities	(1,057) million yen	(1,004) million yen
Retained profits of overseas subsidiaries	(685) million yen	(774) million yen
Other	(80) million yen	(95) million yen
Total deferred tax liabilities	(2,064) million yen	(2,110) million yen
Net deferred tax assets (liabilities)	(227) million yen	(528) million yen

(Note) 1 Valuation allowance decreased by 24 million yen. This was mainly due to a decrease in future deductible temporary differences by sale of land by the Company.

(Note) 2 The amounts of tax loss carry forwards and corresponding deferred tax assets by due periods.

Previous fiscal year (As of March 31, 2022)

	Due within one year (Millions of yen)	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax loss carry forwards (*)	–	–	–	279	–	461	741
Valuation allowance	–	–	–	(279)	–	(461)	(741)
Deferred tax assets	–	–	–	–	–	–	–

(*) The tax loss carry forwards represent the amounts after being multiplied by the effective statutory tax rate.

Current fiscal year (As of March 31, 2023)

	Due within one year (Millions of yen)	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax loss carry forwards (*)	–	–	–	–	–	933	933
Valuation allowance	–	–	–	–	–	(933)	(933)
Deferred tax assets	–	–	–	–	–	–	–

(*) The tax loss carry forwards represent the amounts after being multiplied by the effective statutory tax rate.

(2) Major components in relation to the significant difference between the effective statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Statutory tax rate	30.6%	Notes are omitted because the difference between the effective statutory tax rate and the effective tax rate after adoption of tax effect accounting is 5% or less.
(Reconciliation)		
Change in valuation allowance	(1.2)%	
Items that are permanently not deductible such as entertainment expenses	0.6%	
Inhabitant tax on per capital basis	0.1%	
Different tax rates applied to overseas	(1.7)%	
consolidated subsidiaries	(1.1)%	
Tax credits		
Other	(0.3)%	
Effective tax rate after adoption of tax effect accounting	27.0%	

(Notes - Revenue recognition)

(1) Breakdown of revenue from contracts with customers

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Reportable segment				Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	
Japan	130,995	2,324	877	1,074	135,272
Asia	44,285	7,187	849	6,636	58,958
Europe	157	1,867	1,180	226	3,432
Other regions	1,772	2,438	5,524	209	9,944
Revenue from contracts with customers	177,211	13,817	8,431	8,147	207,608
Net sales to unaffiliated customers	177,211	13,817	8,431	8,147	207,608

(Note) Net sales are categorized by country or region based on the location of customers.

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reportable segment				Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	
Japan	197,614	2,705	907	1,706	202,933
Asia	48,315	8,895	220	5,956	63,387
Europe	162	2,019	1,139	428	3,750
Other regions	1,970	3,287	1,633	280	7,172
Revenue from contracts with customers	248,063	16,907	3,901	8,371	277,244
Net sales to unaffiliated customers	248,063	16,907	3,901	8,371	277,244

(Note) Net sales are categorized by country or region based on the location of customers.

(2) Basic information to understand revenue from contracts with customers

Information on contracts with customers, performance obligation and the standard timing of revenue recognition are as stated in "(Significant matters serving as the basis for preparation of consolidated financial statements) 3 Accounting policies (v) Standards for recognition of significant revenues and expenses." Under the payment terms and conditions of the Group's transactions, payment due dates usually arrive in a short-term, and contracts with customers do not include any material financing components. A transaction price is calculated by deducting the amount paid to a customer such as discounts and kickbacks from the amount of consideration agreed on with the customer under the contract.

(Notes - Segment information, etc.)

[Segment information]

(1) Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and which the Board of Directors regularly reviews to make decisions regarding the allocation of management resources and evaluate operating performance.

The Company develops, manufactures and sells electronic components as its main business, and sets four reportable segments taking into account the product types and similarities of their businesses: electro-mechanical components, acoustic components, display components, and applied equipment and other.

The electro-mechanical components segment primarily includes connectors, jacks and switches. The acoustic components segment primarily includes microphones, headphones, headsets, speakers and receivers. The display components segment primarily includes touch panels components. The applied equipment and other segment represents the applied devices that do not belong to the above segments.

(2) Calculation of net sales, profit or loss, assets and other items by reportable segment

Accounting methods for the reportable business segments are generally consistent with those described in the section "Significant matters serving as the basis for preparation of consolidated financial statements."

Reportable segment profit is based on operating profit. Inter-segment sales and transfers are based on the actual transaction volume.

(3) Net sales, profit or loss, assets and other items by reportable segment

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Adjustments or company-wide (Note 1)	Amounts in consolidated financial statements (Note 2)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Net sales							
Sales to unaffiliated customers	177,211	13,817	8,431	8,147	207,608	–	207,608
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	177,211	13,817	8,431	8,147	207,608	–	207,608
Segment profit	9,078	1,148	213	1,284	11,725	–	11,725
Segment assets	83,314	11,310	3,520	3,478	101,623	69,901	171,525
Other items							
Depreciation	2,350	473	135	226	3,185	–	3,185
Increase in property, plant and equipment and intangible assets	2,877	658	67	270	3,873	305	4,178

Notes: 1. The adjustments are as follows:

(1) The company-wide assets of 69,901 million yen for segment assets include cash and deposits, securities, investment securities and deferred tax assets, etc.

(2) Of the increase in property, plant and equipment and intangible assets, 305 million yen is company-wide assets that are not allocated to each reportable segment.

2. The total amount of segment profit is equal to the operating profit in the consolidated statements of income.

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Adjustments or company-wide (Note 1)	Amounts in consolidated financial statements (Note 2)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Net sales							
Sales to unaffiliated customers	248,063	16,907	3,901	8,371	277,244	–	277,244
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	248,063	16,907	3,901	8,371	277,244	–	277,244
Segment profit (loss)	13,575	1,241	(623)	1,556	15,750	–	15,750
Segment assets	83,912	12,397	1,983	3,919	102,213	77,779	179,993
Other items							
Depreciation	2,530	530	132	192	3,385	–	3,385
Increase in property, plant and equipment and intangible assets	1,457	335	33	96	1,922	114	2,037

Notes: 1. The adjustments are as follows:

(1) The company-wide assets of 77,779 million yen for segment assets include cash and deposits, securities, investment securities and deferred tax assets, etc.

(2) Of the increase in property, plant and equipment and intangible assets, 114 million yen is company-wide assets that are not allocated to each reportable segment.

2. The total amount of segment profit (loss) is equal to the operating profit in the consolidated statements of income.

[Relevant information]

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(1) Information by products and services

(Unit: Millions of yen)

	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total
Net sales to unaffiliated customers	177,211	13,817	8,431	8,147	207,608

(2) Information by regions

(i) Net sales

(Unit: Millions of yen)

Japan	Asia			Europe	Other regions	Total
	China	Vietnam	Other			
135,272	7,725	32,936	18,297	3,432	9,944	207,608

(Note) Net sales are categorized by country or region based on the location of customers.

(ii) Property, plant and equipment

(Unit: Millions of yen)

Japan	China	Vietnam	Other	Total
10,619	1,237	5,391	1,310	18,559

(3) Information by major customers

(Unit: Millions of yen)

Name	Net sales	Segment
Nintendo Co., Ltd.	118,013	Electro-mechanical components
Samsung Electronics Vietnam Thai Nguyen	23,169	Electro-mechanical components

Current fiscal year (From April 1, 2022 to March 31, 2023)

(1) Information by products and services

(Unit: Millions of yen)

	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total
Net sales to unaffiliated customers	248,063	16,907	3,901	8,371	277,244

(2) Information by regions

(i) Net sales

(Unit: Millions of yen)

Japan	Asia			Europe	Other regions	Total
	China	Vietnam	Other			
202,933	6,200	34,682	22,505	3,750	7,172	277,244

(Note) Net sales are categorized by country or region based on the location of customers.

(ii) Property, plant and equipment

(Unit: Millions of yen)

Japan	China	Vietnam	Other	Total
9,814	1,064	5,244	1,373	17,495

(3) Information by major customers

(Unit: Millions of yen)

Name	Net sales	Segment
Nintendo Co., Ltd.	185,639	Electro-mechanical components

[Impairment losses on non-current assets by reportable segments]

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Reportable segment					Company total	Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Impairment losses	–	43	–	–	43	–	43

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Reportable segment					Company total	Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Impairment losses	–	–	347	–	347	–	347

[Information about amortization of goodwill and unamortized balance by reportable segments]

None applicable

[Information about the gain recognized on negative goodwill by reportable segments]

None applicable

[Information about related parties]

Transactions with related parties

Transactions between the Company and related parties

Directors and major shareholders (individuals only) of the Company, etc.

Previous fiscal year (From April 1, 2021 to March 31, 2022)

None applicable

Current fiscal year (From April 1, 2022 to March 31, 2023)

Type	Name	Location	Share capital or investment in capital (Millions of yen)	Business or occupation	Percentage of voting rights (held)	Relation	Nature of transaction	Amount of transactions (Millions of yen)	Account	Balance at end of period
Director	Kenji Furuhashi	–	–	President and CEO	(Held) Direct 2.0% Indirect 0.3%	–	Disposal of treasury shares due to payment of in-kind contribution of monetary remuneration claims (Note)	14	–	–
Director	Haremi Kitatani	–	–	Executive Vice President and Representative Director	(Held) Direct 0.2%	–	Disposal of treasury shares due to payment of in-kind contribution of monetary remuneration claims (Note)	10	–	–

(Note) Transaction terms and conditions and decision policy therefor, etc.

The transactions consist of restricted stocks allotted by the resolution of the Board of Directors meeting on June 29, 2022 in accordance with the “restricted stock remuneration plan” whose introduction was resolved at the 72nd ordinary general meeting of shareholders held on June 29, 2022. The transaction prices were calculated based on the closing share price of the Company’s common stock at the Tokyo Stock Exchange Prime Market on the business day before the day of the resolution by the Board of Directors meeting.

(Notes - Per share information)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	2,175.11 yen	2,379.08 yen
Basic earnings per share	211.57 yen	232.88 yen
Diluted earnings per share	196.32 yen	214.93 yen

(Note) The basis for calculation is as follows.

(1) Basic earnings per share and diluted earnings per share

		Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
(1) Basic earnings per share			
Profit attributable to owners of parent	(Millions of yen)	11,901	12,637
Amount not attributable to common shareholders	(Millions of yen)	–	–
Profit attributable to owners of parent relating to common shares	(Millions of yen)	11,901	12,637
Average number of shares of common shares during the period	(Thousands of shares)	56,255	54,264
(2) Diluted earnings per share			
Adjustment to profit attributable to owners of parent	(Millions of yen)	(14)	(14)
(Of which amortization of discount on bonds (after tax)) (Note)	(Millions of yen)	[(14)]	[(14)]
Increase in common shares	(Thousands of shares)	4,294	4,463
Overview of potential shares that were not included in the calculation of diluted earnings per share due to lack of a dilutive effect		–	–

(Note) This represents the amortization amount (after tax) relating to the difference occurred due to the issuance of bonds at a value higher than the face value.

(2) Net assets per share

		Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Total net assets	(Millions of yen)	119,533	126,753
Amount to be deducted from total net assets	(Millions of yen)	–	–
Year-end net assets relating to common shares	(Millions of yen)	119,533	126,753
Number of year-end common shares used for the calculation of net assets per share	(Thousands of shares)	54,955	53,278

(Notes - Significant subsequent events)

Purchase and cancellation of treasury shares

In accordance with the provisions of Article 156 of the Companies Act, which is applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same act, the Company resolved matters concerning the purchase of treasury shares at the Board of Directors meeting held on May 12, 2023, and carried out the purchase of treasury shares as follows. The Company also resolved matters regarding cancellation of treasury shares, pursuant to the provisions of Article 178 of the Companies Act.

(1) Reasons for the purchase and cancellation of treasury shares

The Company will purchase and cancel its treasury shares to implement a flexible capital policy in response to changes in the business environment and to enhance shareholder returns and capital efficiency.

(2) Details of matters concerning the purchase of treasury shares

(i) Type of shares to be purchased:	Common shares of the Company
(ii) Total number of shares that may be purchased:	Up to 1,600,000 shares (3.00% of total number of issued shares [excluding treasury shares])
(iii) Total share purchase price:	Up to 3,000 million yen
(iv) Purchase period:	From May 15, 2023 to July 14, 2023
(v) Purchase method:	Market purchase on Tokyo Stock Exchange
(vi) Purchase dates:	From May 15, 2023 to June 13, 2023
(vii) Others	As a result of the purchase above, 1,600,000 shares of the Company’s common shares (Purchase price: 2,816 million yen) were purchased.

(3) Details of matters concerning the cancellation of treasury shares

(i) Type of shares to be cancelled	Common shares of the Company
(ii) Total number of cancelled shares:	Total number of treasury shares to be purchased in (2) above:
(iii) Planned date of cancellation:	August 31, 2023

[Consolidated Supplementary Financial Schedules]

(1) Schedule of Bonds and Notes

Company	Name of securities	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest Rate (%)	Collateral	Maturity date
The Company	Yen-denominated convertible bonds with share acquisition rights due in 2024 (Note) 1	September 21, 2017	10,051	10,030	–	None	September 20, 2024
Total	–	–	10,051	10,030	–	–	–

(Note) 1. Details of the bonds with share acquisition rights are as follows.

Name of securities	Yen-denominated convertible bonds with share acquisition rights due in 2024
Shares to be issued	Common shares
Issue price (yen)	Gratis
Exercise price (yen)	2,240.60
Total exercise price (Millions of yen)	10,000
Total exercise price upon exercise of share acquisition rights (Millions of yen)	–
Ratio of share acquisition rights to be granted (%)	100.0
Period during which share acquisition rights can be exercised	From October 5, 2017 to September 6, 2024

(Note) 1. When a holder of the share acquisition rights makes a request, the full amount to be paid at the time of exercise of the stock acquisition rights shall be deemed to have been paid in lieu of the full redemption of the bonds to which the stock acquisition rights were attached. Also, when the share acquisition rights are exercised, it shall be deemed that such a request has been made.

2. At the 73rd (fiscal year ended March 31, 2023) ordinary general meeting of shareholders held on June 29, 2023, the proposal to appropriate surplus with a year-end dividend of 48 yen per share was approved, and the annual dividend for the fiscal year ended March 31, 2023 was determined to be 71 yen per share. Since this fell under the adjustment clause for the conversion price of bonds with share acquisition rights, it has been adjusted from 2,240.60 yen to 2,162.40 yen since April 1, 2023.

2. The redemption schedule for 5 years subsequent to the consolidated balance sheet date is as follows:

Due within one year (Millions of yen)	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)
–	10,000	–	–	–

(2) Schedule of Borrowings

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	2,040	2,189	2.6	–
Current portion of long-term borrowings	–	–	–	–
Current portion of lease obligations	95	117	2.8	–
Long-term borrowings (excluding current portion)	–	–	–	–
Lease obligations (excluding current portion)	344	365	5.7	April 2024 to December 2041
Other interest-bearing debt	–	–	–	–
Total	2,480	2,672	–	–

(Note) 1. The "average interest rate" represents the weighted-average rate applicable to the balance at end of period.

2. Some of the overseas consolidated subsidiaries have adopted IFRS No. 16 "Lease," and the balances at beginning of period and at end of period of "Current portion of lease obligations" and "Lease obligations (excluding current portion)" include the balances based on the accounting standard.

3. The following table shows the repayment schedule of "lease obligations (excluding current portion)" for 5 years subsequent to the consolidated balance sheet date.

	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)
Lease obligations	64	29	21	22

(3) Asset retirement obligations

None applicable

(4) Other

Quarterly results for the current fiscal year

(Accumulated period)	1st quarter	2nd quarter	3rd quarter	Current fiscal year
Net sales (Millions of yen)	71,230	120,666	205,992	277,244
Profit before income taxes (Millions of yen)	11,049	15,938	15,795	18,527
Profit attributable to owners of parent (Millions of Yen)	7,423	10,941	10,869	12,637
Basic earnings per share (yen)	135.09	199.05	199.10	232.88

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (loss) per share (yen)	135.09	63.98	(1.33)	33.18