

2021

INABATA

Financial
Statements



**INABATA & CO., LTD. AND
CONSOLIDATED SUBSIDIARIES**

Consolidated Financial Statements
For the Years ended March 31,
2021 and 2020
Together with Independent
Auditor's Report

KPMG AZSA LLC
July 2021
This report contains 5 pages
Appendices comprise 42 pages



Independent auditor's report

To the Board of Directors of Inabata & Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Inabata & Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Valuation of allowance for doubtful accounts for trade receivables

The key audit matter	How the matter was addressed in our audit
<p>Notes and accounts receivable – trade (hereinafter referred to as “trade receivables”) of ¥162,736 million were recognized in the consolidated balance sheet of Inabata & Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively referred to as the “Group”), representing approximately 46% of total assets. Allowance for doubtful accounts of ¥613 million included in current assets was mostly on trade receivables. In addition, other assets of ¥6,209 million and allowance for doubtful accounts of ¥4,545 million included in investments and other assets were mostly attributed to trade receivables.</p> <p>As described in Note 2 “Summary of significant accounting policies (c) Allowance for doubtful accounts” to the consolidated financial statements, with respect to normal accounts receivable – trade, the allowance is stated at an amount based on the actual rate of bad debts in the past, and for certain doubtful receivables, the uncollectible amount is individually estimated. As for doubtful receivables of foreign consolidated subsidiaries, management determines the estimate of the allowance.</p> <p>Account receivables of the Group include receivables of a large number of domestic and overseas customers. Each group company performs credit management including the establishment of credit classifications and preservation of claims. The Company also performs credit management for customers with receivables that are material.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of allowance for doubtful accounts on trade receivables included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of recognizing an allowance for doubtful accounts on trade receivables with a main focus on the following:</p> <ul style="list-style-type: none"> ● IT controls related to the preparation of a list of past due receivables used for accurate and complete identification of past due receivables; and ● Controls to obtain necessary information of customers that are delinquent in payments and approve credit classifications assigned to them as well as the calculated the amount of allowance for doubtful accounts. <p>(2) Assessment of the reasonableness of the estimated future uncollectible amounts</p> <p>In order to assess the reasonableness of the estimated future uncollectible amounts of past due receivables, we:</p> <ul style="list-style-type: none"> ● inquired of the personnel responsible for credit management about the bases on which credit classifications are assigned to customers and estimated future uncollectible amounts are calculated, and obtained related information including external credit information to evaluate the reasonableness of those bases; and ● examined the recent collection status including status after the end of the period, and when the status indicated increased credit risk, assessed

In the valuation of allowance for doubtful accounts related to trade receivables, each group company and the Company need to identify defaults on receivables and their subsequent status in a timely and comprehensive manner, and reasonably estimate future uncollectible amounts using the debtor's financial evaluation approach. The estimates involve a certain level of uncertainty because changes in the economic environment including the effects of the COVID-19 pandemic and other factors affect the credit risk of customers. Accordingly, management's judgment thereon may have a significant effect on the estimates.

We, therefore, determined that the valuation of allowance for doubtful accounts on trade receivables was one most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

whether the increase in the risk was appropriately reflected in the estimated future uncollectible amounts.

With respect to the valuation of allowance for doubtful accounts on trade receivables of significant consolidated subsidiaries, we requested the component auditors of those subsidiaries to perform part of the above audit procedures, and evaluated the report of the component auditors on the results of the procedures and concluded as to whether sufficient and appropriate audit evidence was obtained.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise

professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Koji Yasui

Designated Engagement Partner

Certified Public Accountant

Kazushi Chiba

Designated Other Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 12, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<u>ASSETS</u>			
Current assets:			
Cash and time deposits (Notes 12 and 15)	¥ 31,462	¥ 29,440	\$ 284,192
Notes and accounts receivable - trade (Note 15):	162,736	152,457	1,469,933
Merchandise and finished goods	49,210	52,052	444,499
Work in Process	597	766	5,397
Raw materials and supplies	4,322	3,084	39,046
Other current assets	9,266	8,022	83,700
Allowance for doubtful accounts (Note 15)	(613)	(686)	(5,539)
Total current assets	256,983	245,136	2,321,230
Property, plant and equipment:			
Land	2,911	2,870	26,295
Buildings and structures	16,039	15,509	144,881
Machinery and equipment	16,871	16,240	152,391
Construction in progress	294	112	2,661
Other property, plant and equipment	5,224	4,781	47,191
	41,341	39,512	373,421
Less accumulated depreciation	(26,946)	(25,550)	(243,395)
Property, plant and equipment, net	14,395	13,964	130,026
Investments and other assets:			
Investment securities (Notes 4, 7 and 15):	71,592	54,236	646,668
Long-term loans receivable (Note 15):	1,212	1,392	10,948
Intangible assets	2,918	3,006	26,361
Net defined benefit asset (Note 11)	3,472	2,007	31,366
Deferred tax assets (Note 6)	990	1,024	8,946
Other assets	6,209	9,896	56,084
Allowance for doubtful accounts (Note 15)	(4,545)	(7,815)	(41,061)
Total investments and other assets	81,849	63,747	739,314
Total assets	¥ 353,228	¥ 322,848	\$ 3,190,570

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Notes and accounts payable - trade (Note 15):	¥ 104,113	¥ 96,761	\$ 940,419
Short-term loans payable (Notes 10 and 15)	33,731	43,073	304,683
Income taxes payable	3,155	1,631	28,501
Accrued expenses	1,080	1,021	9,763
Provision for bonuses	1,279	1,217	11,561
Provision for loss on business liquidation (Note 9)	-	240	-
Other current liabilities	7,229	6,831	65,300
Total current liabilities	150,591	150,776	1,360,229
Non-current liabilities:			
Long-term loans payable (Notes 10 and 15)	7,475	9,775	67,522
Deferred tax liabilities (Note 6)	14,842	9,933	134,069
Provision for directors' retirement benefits	29	30	264
Provision for management board incentive plan trust	131	85	1,187
Provision for loss on guarantees	18	18	167
Net defined benefit liability (Note 11)	2,144	2,369	19,374
Other non-current liabilities	2,190	2,132	19,786
Total non-current liabilities	26,833	24,344	242,372
Contingent liabilities (Note 19)			
Net assets			
Shareholders' equity (Note 16)			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 63,499,227 shares in 2021 and 63,499,227 shares in 2020	9,364	9,364	84,586
Capital surplus	7,184	7,752	64,895
Retained earnings (Note 20)	116,794	106,197	1,054,958
Treasury stock, at cost: (Note 17)			
3,302,651 shares in 2021 and 3,302,640 shares in 2020	(4,155)	(4,155)	(37,531)
Total shareholders' equity	129,188	119,159	1,166,908
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	39,316	26,196	355,132
Deferred gains (losses) on hedges	187	148	1,689
Foreign currency translation adjustments	4,536	1,436	40,973
Remeasurements of defined benefit plans	576	(1,016)	5,206
Total accumulated other comprehensive income	44,616	26,764	403,002
Non-controlling interests	1,999	1,802	18,056
Total net assets	175,803	147,726	1,587,967
Total liabilities and net assets	¥ 353,228	¥ 322,848	\$ 3,190,570

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
	¥	¥	\$
Net sales	577,583	600,312	5,217,089
Cost of sales	531,543	544,053	4,801,225
Gross profit	46,040	46,259	415,864
Selling, general and administrative expenses (Note 8)	31,066	33,029	280,614
Operating income	14,973	13,229	135,249
Other income (expenses):			
Interest and dividend income	1,541	2,123	13,921
Interest expenses (Note 10)	(698)	(1,317)	(6,312)
Foreign exchange gains (losses)	(151)	(294)	(1,369)
Share of profit of entities accounted for using equity method	270	339	2,442
Gain on sales of investment securities	2,984	3,033	26,957
Loss on valuation of investment securities	—	(293)	—
Provision for loss on business liquidation (Note 9)	—	(244)	—
Other, net	579	131	5,238
Income before income taxes	19,499	16,707	176,128
Income taxes (Note 6)			
Income taxes - current	5,337	4,858	48,214
Income taxes - deferred	(43)	(35)	(388)
Net income	14,204	11,884	128,302
Net income attributable to non-controlling interests	411	469	3,719
Net income attributable to owners of parent	¥ 13,792	¥ 11,415	\$ 124,583
Amounts per share:	Yen		U.S. dollars (Note 1)
	2021	2020	2021
Basic net income per share	¥ 229.13	¥ 188.82	\$ 2.07
Cash dividends per share applicable to the year	63.00	53.00	0.57

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥ 14,204	¥ 11,884	\$ 128,302
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	12,968	(22,679)	117,135
Deferred gains (losses) on hedges	55	242	496
Foreign currency translation adjustment	3,155	(1,875)	28,499
Remeasurements of defined benefit plans, net of tax	1,593	(739)	14,391
Share of other comprehensive income of entities accounted for using equity method	164	(39)	1,484
Total other comprehensive income	<u>17,935</u>	<u>(25,091)</u>	<u>162,008</u>
Comprehensive income	<u>¥ 32,140</u>	<u>¥ (13,207)</u>	<u>\$ 290,310</u>
Comprehensive income attributable to:			
Owners of parent	¥ 31,644	¥ (13,656)	\$ 285,830
Non-controlling interests	496	449	4,480

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2021 and 2020

	Millions of yen			
	2021			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2020	¥ 9,364	¥ 7,752	¥ 106,197	¥ (4,155)
Cumulative effects of changes in accounting policies	-	-	-	-
Restated balance at April 1, 2020	¥ 9,364	¥ 7,752	¥ 106,197	¥ (4,155)
Net income attributable to owners of parent	-	-	13,792	-
Dividends of surplus	-	-	(3,195)	-
Purchase of treasury stock	-	-	-	(0)
Purchase of shares of consolidated subsidiaries	-	(567)	-	-
Net changes in items other than shareholders' equity	-	-	-	-
Balance at March 31, 2021	¥ 9,364	¥ 7,184	¥ 116,794	¥ (4,155)

	Millions of yen					
	2021					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2020	¥ 26,196	¥ 148	¥ 1,436	¥ (1,016)	¥ 1,802	¥ 147,726
Cumulative effects of changes in accounting policies	-	-	-	-	-	-
Restated balance at April 1, 2020	¥ 26,196	¥ 148	¥ 1,436	¥ (1,016)	¥ 1,802	¥ 147,726
Net income attributable to owners of parent	-	-	-	-	-	13,792
Dividends of surplus	-	-	-	-	-	(3,195)
Purchase of treasury stock	-	-	-	-	-	(0)
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	(567)
Net changes in items other than shareholders' equity	13,119	38	3,100	1,593	196	18,048
Balance at March 31, 2021	¥ 39,316	¥ 187	¥ 4,536	¥ 576	¥ 1,999	¥ 175,803

Millions of yen					
2020					
Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2019	¥ 9,364	¥ 7,752	¥ 97,882	¥ (3,729)	
Cumulative effects of changes in accounting policies	—	—	(191)	—	
Restated balance at April 1, 2019	¥ 9,364	¥ 7,752	¥ 97,691	¥ (3,729)	
Net income attributable to owners of parent	—	—	11,415	—	
Dividends of surplus	—	—	(2,908)	—	
Purchase of treasury stock	—	—	—	(425)	
Purchase of shares of consolidated subsidiaries	—	—	—	—	
Net changes in items other than shareholders' equity	—	—	—	—	
Balance at March 31, 2020	¥ 9,364	¥ 7,752	¥ 106,197	¥ (4,155)	

Millions of yen							
2020							
Accumulated other comprehensive income							
	Valuation difference on available-for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total	
Balance at April 1, 2019	¥ 48,827	¥ (93)	¥ 3,247	¥ (277)	¥ 1,723	¥ 164,697	
Cumulative effects of changes in accounting policies	129	—	—	—	—	(61)	
Restated balance at April 1, 2019	¥ 48,957	¥ (93)	¥ 3,247	¥ (277)	¥ 1,723	¥ 164,635	
Net income attributable to owners of parent	—	—	—	—	—	11,415	
Dividends of surplus	—	—	—	—	—	(2,908)	
Purchase of treasury stock	—	—	—	—	—	(425)	
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	
Net changes in items other than shareholders' equity	(22,760)	241	(1,811)	(739)	78	(24,990)	
Balance at March 31, 2020	¥ 26,196	¥ 148	¥ 1,436	¥ (1,016)	¥ 1,802	¥ 147,726	

See accompanying Notes to Consolidated Financial Statements.

Thousands of U.S. dollars (Note 1)				
2021				
Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2020	\$ 84,586	\$ 70,024	\$ 959,240	\$ (37,531)
Cumulative effects of changes in accounting policies	—	—	—	—
Restated balance at April 1, 2020	\$ 84,586	\$ 70,024	\$ 959,240	\$ (37,531)
Net income attributable to owners of parent	—	—	124,583	—
Dividends of surplus	—	—	(28,865)	—
Purchase of treasury stock	—	—	—	(0)
Purchase of shares of consolidated subsidiaries	—	(5,129)	—	—
Net changes in items other than shareholders' equity	—	—	—	—
Balance at March 31, 2021	\$ 84,586	\$ 64,895	\$ 1,054,958	\$ (37,531)

Thousands of U.S. dollars (Note 1)						
2021						
Accumulated other comprehensive income						
	Valuation difference on available-for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2020	\$ 236,626	\$ 1,341	\$ 12,972	\$ (9,185)	\$ 16,280	\$ 1,334,356
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance at April 1, 2020	\$ 236,626	\$ 1,341	\$ 12,972	\$ (9,185)	\$ 16,280	\$ 1,334,356
Net income attributable to owners of parent	—	—	—	—	—	124,583
Dividends of surplus	—	—	—	—	—	(28,865)
Purchase of treasury stock	—	—	—	—	—	(0)
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(5,129)
Net changes in items other than shareholders' equity	118,505	348	28,001	14,391	1,776	163,022
Balance at March 31, 2021	\$ 355,132	\$ 1,689	\$ 40,973	\$ 5,206	\$ 18,056	\$ 1,587,967

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Income before income taxes	¥ 19,499	¥ 16,707	\$ 176,128
Adjustments to reconcile income before income taxes to cash provided by operating activities:			
Depreciation and amortization	2,874	2,976	25,963
Increase (decrease) in allowance for doubtful accounts	(3,646)	259	(32,938)
Interest and dividend income	(1,541)	(2,123)	(13,921)
Interest expenses	698	1,317	6,312
Share of (profit) loss of entities accounted for using equity method	(270)	(339)	(2,442)
Increase (decrease) in provision for loss on business liquidation	(246)	244	(2,225)
Loss (gain) on sales of investment securities	(2,984)	(3,033)	(26,957)
Loss (gain) on valuation of investment securities	-	293	-
Decrease (increase) in notes and accounts receivable - trade	(5,924)	8,967	(53,514)
Decrease (increase) in inventories	3,127	371	28,249
Decrease (increase) in other current assets	(884)	854	(7,992)
Decrease (increase) in other non-current assets	4,267	277	38,547
Increase (decrease) in notes and accounts payable - trade	4,261	(11,334)	38,492
Increase (decrease) in other current liabilities	491	(259)	4,443
Other, net	754	26	6,814
Subtotal	20,476	15,205	184,958
Interest and dividend income received	1,733	2,254	15,655
Interest expenses paid	(705)	(1,328)	(6,371)
Income taxes paid	(3,891)	(5,442)	(35,147)
Net cash provided by (used in) operating activities	17,613	10,690	159,096
Cash flows from investing activities:			
Payments into time deposits	(5,162)	(3,907)	(46,635)
Proceeds from withdrawal of time deposits	3,992	3,827	36,063
Purchase of property, plant and equipment	(1,864)	(1,354)	(16,841)
Proceeds from sales of property, plant and equipment	149	31	1,348
Purchase of intangible assets	(648)	(844)	(5,855)
Purchase of investment securities	(95)	(371)	(862)
Proceeds from sales of investment securities	3,128	3,134	28,258
Purchase of shares of subsidiaries	-	(234)	-
Net decrease (increase) in short-term loans receivable	101	294	916
Payments of long-term loans receivable	(219)	(1,033)	(1,987)
Collection of long-term loans receivable	91	44	822
Other, net	104	(111)	947
Net cash provided by (used in) investing activities	(423)	(525)	(3,824)

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ (9,276)	¥ 2,996	\$ (83,789)
Proceeds from long-term loans payable	729	600	6,589
Repayments of long-term loans payable	(4,357)	(6,649)	(39,355)
Purchase of treasury stock	(0)	(425)	(0)
Cash dividends paid	(3,205)	(2,917)	(28,957)
Dividends paid to non-controlling interests	(312)	(370)	(2,820)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(557)	—	(5,037)
Other - net	(602)	(506)	(5,439)
Net cash provided by (used in) financing activities	(17,582)	(7,273)	(158,811)
Effect of exchange rate change on cash and cash equivalents	894	(421)	8,079
Net increase (decrease) in cash and cash equivalents	502	2,469	4,540
Cash and cash equivalents at beginning of year	25,480	23,011	230,158
Cash and cash equivalents at end of year (Note 12)	¥ 25,983	¥ 25,480	\$ 234,699

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of INABATA & CO., LTD. (“the Company”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated foreign subsidiaries are prepared in accordance with mainly either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable in compliance with ASBJ Practical Solution No. 18, “Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements.”

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to US\$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

As permitted, amounts of less than one million Japanese yen are omitted in the presentation for 2020 and 2021. As a result, the totals shown in the accompanying consolidated financial statements, both in Japanese yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 44 (44 in 2020) significant domestic and foreign subsidiaries (together “the Companies”), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 5 affiliates (5 in 2020) accounted for by the equity method. Intercompany transactions and accounts are eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

For 8 consolidated subsidiaries, including SHANGHAI INABATA TRADING CO., LTD., the consolidation method under which tentative financial statements as of March 31 (the consolidated balance sheet date) were prepared in the same manner as the regular year-end financial statements are used for consolidation purposes due to the regulations regarding the accounting period in the respective countries.

(b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(c) Allowance for doubtful accounts

An allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal accounts receivable - trade, the allowance is stated at an amount based on the actual rate of bad debts in the past. For certain doubtful receivables, the uncollectible amount is individually estimated. With respect to doubtful receivables of foreign consolidated subsidiaries, the allowance is determined by estimates of management.

(d) Securities

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale equity securities with fair market values are stated at the average fair market value for the last month of the year. Non-equity available-for-sale securities with fair market values are stated at fair market value on the last day of the year. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market values are also stated at moving average cost.

(e) Derivative transactions and hedge accounting

Derivative transactions are measured at fair value. Hedging instruments which meet the criteria for hedge accounting are accounted for using deferral hedge accounting, which requires that the unrealized gain or loss to be deferred as a component of net assets until the loss or gain on the related hedged item is recognized.

Certain forward foreign exchange contracts, certain currency swap transactions and certain interest rate swap transactions are accounted for using the allocation method and the special method. The allocation method requires that foreign currency monetary receivables and payables covered by forward foreign exchange contracts are translated at contract rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to the underlying loans.

With regard to forward foreign exchange contracts and currency swap transactions, the evaluation of the hedge effectiveness is omitted if the significant terms of the hedging instruments and those of the hedged items are the same and the risk of change in foreign exchange rates is effectively hedged. With regard to interest rate swap transactions which meet the criteria for the special method, the evaluation of hedge effectiveness is omitted.

The Companies enter into forward foreign exchange contracts, interest rate swap transactions and currency swap transactions to control risks related to fluctuations in the exchange rates of foreign currencies and interest rates. Forward foreign exchange contracts and currency swap transactions are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables, payables and forecasted transactions denominated in foreign currencies. Interest rate swap transactions are used to hedge the risk of fluctuations in interest rates with respect to long-term loans payable.

The Companies use these derivative transactions in connection with managing their market risk and not for speculation or dealing purposes. The Companies minimize the credit risk exposure of these derivative transactions by using only highly rated financial institutions as counterparties. The derivative transactions are entered into in accordance with risk management policies.

(f) Inventories

Inventories are stated mainly at the lower of cost determined by the moving average method or net realizable value.

(g) Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated by the straight-line method.

(h) Leased assets

Property and equipment capitalized under finance leases are depreciated by the straight-line method over the term of the respective lease.

(i) Intangible assets

Intangible assets are depreciated by the straight-line method. Software is depreciated by the straight-line method over its estimated useful life.

(j) Goodwill

Goodwill is depreciated by the straight-line method over five years.

(k) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants' taxes and enterprise tax. The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(l) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end exchange rates, except for net asset accounts, which are translated at historical exchange rates. Revenue and expense accounts are translated into Japanese yen at the average exchange rates during the year. The resulting translation adjustments are presented separately in the consolidated financial statements as foreign currency translation adjustments and in non-controlling interests.

(m) Retirement benefits

The Companies provide retirement payment plans and funded non-contributory pension plans under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometime make additional payments that are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the year. Actuarial differences and prior service costs are recognized mainly in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

The estimated amount of all retirement benefits to be paid at future retirement dates is attributed to each period using a benefit formula basis.

Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years.

Prior service cost is recognized in the income statement using the straight-line method over mainly 14 years.

Unrecognized actuarial differences and unrecognized prior service cost are recognized as remeasurements of defined benefit plans within the net asset section after adjusting for tax effects.

Directors, corporate auditors and executive officers of certain subsidiaries receive retirement payments based on established guidelines similar to the employees' retirement benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and corporate auditors are sufficient to cover stipulated benefits arising from services performed as of the balance sheet date.

Directors' retirement benefits for officers of the Company's subsidiaries had been made at an estimated amount based on the Company's internal rules for retirement allowances.

(n) Provision for bonuses

The Company and certain subsidiaries accrue amounts for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(o) Provision for loss on business liquidation

To cover possible losses on business liquidation of subsidiaries, the Companies record an estimated allowance for such losses.

(p) Provision for management board incentive plan trust

To prepare for the payment of the Company's shares, etc., to the director, allowance for board benefit trust is recorded by the Company's executive share benefit provision at the expected amount of obligations on stock-based compensation to Directors.

(q) Provision for loss on guarantees

To cover possible losses associated with guarantees that the Companies provide to third parties, the Companies assess the financial condition of each guaranteed party and record an estimated allowance for such losses based on the estimated exposure.

(r) Amounts per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Diluted net income per share is omitted because there are no dilutive shares at March 31, 2021 and 2020.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

3. Accounting changes

(Significant accounting estimates)

(a) Carrying amounts in the current year's financial statements

Allowance for doubtful accounts (current assets) : minus ¥613 million (minus \$5,539 thousand)

Allowance for doubtful accounts (non-current assets) : minus ¥4,545 million (minus \$41,061 thousand)

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

In calculating the allowance for doubtful accounts, the Company reasonably estimates the estimated uncollectible amount of subject receivables based on credit classifications, etc., established in consideration of past receivables and the actual conditions of customers' external credit information, etc., in accordance with the policy stated in "(2. Summary of significant accounting policies) (c) Allowance for doubtful accounts" and determines that such amount is appropriated. However, unforeseeable changes in assumptions, such as changes in the economic environment due to COVID-19 and other factors, may cause the credit risks of customers to fluctuate from the initial estimates, and lead to loan loss losses and an increase or decrease in the amount of allowance for loan losses. In addition, there is a possibility that an additional allowance for doubtful accounts may be provided for general receivables due to an increase in the historical rate of bad debt.

With regard to the outlook for the future, we expect that the global economy and the Japanese economy will gradually recover, although the outlook remains uncertain with continued presence COVID-19.

(Accounting standards and guidance issued, but not yet adopted)

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

(a) Overview

International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard concerning revenue recognition and, in May 2014, issued "Revenue from Contracts with Customers" under IFRS 15 by IASB and Topic 606 by FASB, respectively. As IFRS 15 is applicable for fiscal years beginning on or after January 1, 2018, while Topic 606 for fiscal years beginning after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) developed its own comprehensive accounting standard concerning revenue recognition, which was issued along with the corresponding implementation guidance.

In developing ASBJ's accounting standards concerning revenue recognition, the basic principles of IFRS 15 were adopted to establish an accounting standard that ensured comparability between financial statements, which is one of the benefits of pursuing consistency with IFRS 15. However, if there are particular circumstances that ought to be considered, such as the traditional accounting practice in Japan, alternative treatment may be added to the extent that comparability is not compromised.

(b) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(c) Effects of the application of the standards

The Company and its consolidated subsidiaries have yet to estimate the effects of these new standards on the consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 31, 2020)

(a) Overview

Under the circumstances that IASB and FASB have similar detailed guidance about the measurement of fair value IFRS 13 - Fair Value Measurement - in IFRS and Topic 820 in the Accounting Standards Codification - Fair Value Measurement - in U.S. GAAP, ASBJ has made efforts to make the Japanese standards consistent with international accounting standards mainly regarding the guidance and disclosure of the fair value of financial instruments and has issued the accounting standards.

Upon developing the accounting standard, ASBJ has basically adopted all the provisions of IFRS 13 from the viewpoint of improving the comparability of financial statements between domestic and overseas companies by using the uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan so far.

(b) Effective date

The fair value accounting standards and guidance will be effective from the beginning of the consolidated fiscal year ending March 31, 2022.

(c) Effects of the application of the standards

The Company and its consolidated subsidiaries have yet to estimate the effects of these new standards on the consolidated financial statements.

(Changes in presentation method)

- Changes due to adoption of “Accounting Standard for Disclosure of Accounting Estimates”

The Company and its subsidiaries adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

(Additional information)

- Performance-based Stock Compensation Plan for Directors

The Company has introduced a performance-based stock compensation plan, “Board Benefit Trust,” (the “Plan”) for Directors with a view to increase their consciousness to contribute to performance improvement and corporate value increase in the medium- and long-term by clarifying the linkage between compensation for Directors and the Company’s financial performance and stock value and sharing not only benefits of an increase in the Company’s equity value but risks of its decline.

(a) Overview of Transaction

The Plan is a performance-based stock compensation plan where a trust (a trust established under the Plan is referred to as the “Trust”) acquired the Company’s stock using money contributed by the Company and provides Directors with the Company’s stock and money equivalent to the amount of the Company’s stock as converted using fair value (the “Company’s Stock, etc.”) in accordance with the Rules for Stock Compensation Granted to Directors established by the Company. The timing of Directors receiving the Company’s Stock, etc. is at their retirement from Directors in principle.

(b) Company’s Stock Remaining in Trust

The Company has recorded the Company’s stock remaining in the Trust at carrying value in the Trust (excluding the amount of ancillary expenses) as treasury stock under net assets section. The carrying value of such treasury stock was ¥164 million and the number of such treasury stock was 100,000 shares at March 31, 2020, while the carrying value of such treasury stock was ¥164 million (\$1,487 thousand) and the number of such treasury stock was 100,000 shares at March 31, 2021.

4. Securities

(a) The following summarizes information on securities with fair values at March 31, 2021 and 2020.

(1) Trading securities:

At March 31, 2021 and 2020, there were no trading securities with fair market values.

(2) Available-for-sale securities at March 31, 2021 and 2020:

Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Equity securities:			
Acquisition costs	¥ 5,685	¥ 5,542	\$ 51,354
Book values	59,707	42,510	539,309
Differences	¥ 54,021	¥ 36,968	\$ 487,955
Bonds:			
Acquisition costs	¥ 10	¥ 10	\$ 90
Book values	10	10	91
Differences	¥ 0	¥ 0	\$ 0

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Equity securities:			
Acquisition costs	¥ 850	¥ 1,066	\$ 7,686
Book values	694	756	6,273
Differences	¥ (156)	¥ (309)	\$ (1,413)
Bonds:			
Acquisition costs	¥ —	¥ 10	\$ —
Book values	—	9	—
Differences	¥ —	¥ (0)	\$ —

Unlisted equity securities in amount of ¥6,450 million (\$58,264 thousand) and ¥6,105 million at March 31, 2021 and 2020, respectively, are excluded from available-for-sale securities in the above table as these fair values are extremely hard to determine due to the unavailability of market prices and the difficulty in estimating future cash flows.

(b) The following table summarizes information on available-for-sale securities sold in the years ended March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total sales of available-for-sale securities:	¥ 3,118	¥ 3,134	\$ 28,168
Amount of related gains	2,984	3,033	26,957
Amount of related losses	—	4	—

(c) The loss on valuation of investment securities at March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loss on valuation of investment securities	¥ 67	¥ 293	\$ 613

The Companies recognize impairment loss when, at the end of the period, the fair value of marketable and investment securities is reduced to less than 50% of the acquisition cost. A loss may also be recognized when the fair market value declines less than 50% but more than 30%, if necessary, considering the possibility of market value recovery and other factors.

5. Derivatives

(a) Derivative transactions for which hedge accounting is not applied

(1) Currency related

		Millions of yen			
		March 31, 2021			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	¥ 22	¥ —	¥ (0)	¥ (0)
	Buying:				
	U.S. dollars	4	—	0	0
	Japanese yen	158	—	(1)	(1)
	S.G. dollars	65	—	(0)	(0)
	Total	¥ 250	¥ —	¥ (1)	¥ (1)
		Millions of yen			
		March 31, 2020			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	¥ 84	¥ —	¥ (2)	¥ (2)
	Buying:				
	U.S. dollars	216	—	2	2
	Japanese yen	419	—	1	1
	Total	¥ 720	¥ —	¥ 1	¥ 1
		Thousands of U.S. dollars			
		March 31, 2021			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	\$ 201	\$ —	\$ (1)	\$ (1)
	Buying:				
	U.S. dollars	36	—	0	0
	Japanese yen	1,428	—	(14)	(14)
	S.G. dollars	595	—	(1)	(1)
	Total	\$ 2,262	\$ —	\$ (17)	\$ (17)

(2) Interest rate related

Classification	Type of derivative transaction	Millions of yen			
		March 31, 2020			
		Contracted amount	Contracted amount over 1 year	Fair value	Recognized gains (losses)
Non-market transaction	Interest rate swaps:				
	(Pay fixed rate, receive floating rate)	¥ 326	¥ -	¥ (8)	¥ (8)
	Total	¥ 326	¥ -	¥ (8)	¥ (8)

There were no interest rate related derivative transactions at March 31, 2021.

(3) Stock related

There were no stock related derivative transactions at March 31, 2021 and 2020.

(b) Derivative transactions for which hedge accounting is applied

(1) Currency related

		Millions of yen			
		March 31, 2021			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 2,284	¥ -	¥ (61)
	G.B. pound	Accounts	0	-	(0)
	Euro	receivable	92	-	(2)
	China yuan	- trade	80	-	(0)
	Thai baht		82	-	(2)
	Buying:				
	U.S. dollars		6,483	3,590	353
	Euro	Accounts	625	-	6
	China yuan	payable	45	-	7
	Thai baht	- trade	352	-	4
	Japanese yen		122	-	(2)
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 7,780	¥ -	
	G.B. pound		24	-	
	Euro	Accounts	301	-	
	Swiss franc	- trade	2	-	
	China yuan		204	-	(*2)
	Thai baht		107	-	
	Buying:				
	U.S. dollars		3,385	-	
	G.B. pound	Accounts	54	-	
	Euro	payable	82	-	
	Thai baht	- trade	91	-	
	Total		¥ 22,202	¥ 3,590	¥ 301

		Millions of yen			
		March 31, 2020			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 2,084	¥ -	¥ (8)
	G.B. pound		3		0
	Euro	Accounts	51	-	0
	Swiss franc	receivable	0	-	(0)
	China yuan	- trade	33	-	(0)
	Thai baht		64	-	3
	Buying:				
	U.S. dollars		8,550	4,079	252
	Euro	Accounts	216	-	(1)
	China yuan	payable	186	-	6
	Thai baht	- trade	429	-	(19)
	Currency swaps:	Long-term loans payable due within one year	460	-	(32)
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 5,594	¥ -	
	G.B. pound		43	-	
	Euro	Accounts	213	-	
	Swiss franc	receivable	20	-	
	China yuan	- trade	243	-	
	Thai baht		48	-	(*2)
	Buying:				
	U.S. dollars		2,891	-	
	G.B. pound	Accounts	44	-	
	Euro	payable	102	-	
	China yuan	- trade	28	-	
	Thai baht		46	-	
	Total		¥ 21,357	¥ 4,079	¥ 201

		Thousands of U.S. dollars			
		March 31, 2021			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 20,636	\$ —	\$ (558)
	G.B. pound	Accounts	0		(0)
	Euro	receivable	832	—	(22)
	China yuan	- trade	724	—	(6)
Deferral hedge accounting (*1)	Thai baht		746	—	(25)
	Buying:				
	U.S. dollars		58,560	32,427	3,192
	Euro	Accounts	5,645	—	59
	China yuan	payable	411	—	67
	Thai baht	- trade	3,182		36
	Japanese yen		1,106	—	(19)
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 70,280	\$ —	
	G.B. pound		221	—	
	Euro	Accounts	2,726	—	
Allocation method for forward foreign exchange contracts, etc.	Swiss franc	receivable	20	—	
	China yuan	- trade	1,843	—	
	Thai baht		974	—	(*2)
	Buying:				
	U.S. dollars		30,578	—	
	G.B. pound	Accounts	492	—	
	Euro	payable	741	—	
	Thai baht	- trade	824	—	
	Total		<u>\$ 200,550</u>	<u>\$ 32,427</u>	<u>\$ 2,722</u>

(*1) Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2021 and 2020, respectively.

(*2) Since forward foreign exchange contracts, etc., are accounted for by the allocation method (refer to Note 2(e)), their fair value is included in that of the account receivable – trade and account payable - trade disclosed in Note 15, “Financial instruments.”

(2) Interest rate related

		Millions of yen			
		March 31, 2021			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Interest rate swaps:				
Special method	(Pay fixed rate, receive floating rate)	Long-term loans payable	1,500	1,500	(*2)
	Total		¥ 1,500	1,500	—
		Millions of yen			
		March 31, 2020			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Interest rate swaps:				
Deferral hedge accounting (*1)	(Pay fixed rate, receive floating rate)	Long-term loans payable due within one year	¥ 460	—	21
	Interest rate swaps:				
Special method	(Pay fixed rate, receive floating rate)	Long-term loans payable	2,370	1,500	(*2)
	Total		¥ 2,831	1,500	21
		Thousands of U.S. dollars			
		March 31, 2021			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Interest rate swaps:				
Special method	(Pay fixed rate, receive floating rate)	Long-term loans payable	13,548	13,548	(*2)
	Total		\$ 13,548	13,548	—

(*1) Fair values are based on year-end forward rates and prices presented by principal financial institutions at March 31, 2021 and 2020, respectively

(*2) Since interest rate swaps are accounted for by the special method (refer to Note 2(e)), the fair value of long-term loans payable and long-term loans payable due within one year are included in that of the long-term loans payable and short-term loans payable disclosed in Note 15, "Financial instruments" respectively.

6. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 30.6% and 30.6% for the years ended March 31, 2021 and 2020, respectively.

(a) The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	2021	2020
Statutory tax rate	30.6%	30.6%
Share of (profit) loss of entities accounted for using equity method	(0.4)	(0.6)
Expenses not deductible for income tax purposes	0.7	1.4
Dividends and other income deductible for income tax purposes	(2.6)	(3.7)
Net adjustment resulting from elimination of dividend income	2.5	3.2
Unrealized tax benefits, such as those on prior losses of consolidated subsidiaries	(0.8)	1.3
Unrealized tax benefits related to allowance for doubtful accounts	0.0	0.0
Different tax rates applied at foreign subsidiaries	(3.5)	(3.4)
Income taxes for prior periods	0.2	(0.3)
Foreign source taxes	0.3	0.3
Decrease in deferred tax assets (liabilities) resulting from changes in statutory tax rates	0.0	0.2
Other, net	0.2	(0.1)
Effective tax rate	<u>27.2%</u>	<u>28.9%</u>

(b) Significant components of the Companies' deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for doubtful accounts	¥ 390	¥ 411	\$ 3,530
Loss carryforwards	3,276	3,194	29,597
Net defined benefit liability	888	994	8,028
Directors' retirement benefits	62	48	565
Unrealized profit on inventories	271	254	2,449
Unrealized profit on property, plant and equipment	377	435	3,411
Depreciation	158	173	1,431
Write-down of golf club memberships	12	12	109
Write-down of investment securities	380	497	3,436
Write-down of inventories	118	161	1,067
Provision for bonuses	321	318	2,905
Enterprise taxes payable	157	90	1,422
Provision for loss on guarantees	5	5	51
Other	873	990	7,891
Total deferred tax assets	<u>7,295</u>	<u>7,586</u>	<u>65,896</u>
Valuation allowance	<u>(4,454)</u>	<u>(4,556)</u>	<u>(40,231)</u>
Net deferred tax assets	<u>2,841</u>	<u>3,030</u>	<u>25,665</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(661)	(661)	(5,976)
Net defined benefit asset	(521)	(71)	(4,712)
Valuation difference on available-for-sale securities	(15,275)	(10,991)	(137,978)
Other	(234)	(214)	(2,120)
Total deferred tax liabilities	<u>(16,693)</u>	<u>(11,939)</u>	<u>(150,787)</u>
Net deferred tax liabilities	<u>¥ (13,852)</u>	<u>¥ (8,908)</u>	<u>\$ (125,122)</u>

7. Pledged assets

At March 31, 2021 and 2020, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities	¥ 12,508	¥ 8,909	\$ 112,986

8. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Research and development expenses	¥ 37	¥ 52	\$ 337

9. Provision for loss on business liquidation

The Company and its subsidiaries planned the restructuring of some consolidated subsidiaries, estimated the loss and recognized it as expense in the previous accounting period.

10. Short-term loans payable and long-term loans payable

Short-term loans payable at March 31, 2021 and 2020 consisted of bank loans bearing interest at average annual rates of 1.11% and 1.32%, respectively. Long-term loans payable due within one year at March 31, 2021 and 2020 consisted of bank loans bearing interest at average annual rates of 0.71% and 2.03%, respectively.

(a) Long-term loans payable at March 31, 2021 and 2020 consisted of the follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unsecured loans from banks and insurance companies	¥ 10,513	¥ 14,208	\$ 94,960
Less amounts due within one year	(3,037)	(4,432)	(27,438)
Total	¥ 7,475	¥ 9,775	\$ 67,522

(b) The aggregate annual maturities of long-term loans payable at March 31, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021		2021
2023	¥ 2,137		\$ 19,308
2024		2,271	20,518
2025		2,023	18,274
2026		1,007	9,099
2027 and thereafter		35	321
Total	¥ 7,475		\$ 67,522

(c) In order to achieve more efficient and flexible financing, the Company has concluded multi currency lines of credit agreements with four banks. The status of these lines of credit at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Multi currency lines of credit	¥ 22,142	¥ 21,766	\$ 200,000
Credit utilized	—	—	—

11. Retirement and pension plans

(a) Defined benefit pension plans

(1) The change in the retirement benefit obligation for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥ 9,369	¥ 9,343	\$ 84,631
Service cost	518	564	4,687
Interest cost	64	73	585
Actuarial differences	(176)	(114)	(1,594)
Retirement benefits paid	(367)	(405)	(3,321)
Others	106	(91)	996
Balance at the end of the year	¥ 9,516	¥ 9,369	\$ 85,955

(2) The change in plan assets for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥ 9,006	¥ 10,442	\$ 81,355
Expected return on plan assets	232	253	2,098
Actuarial differences	1,750	(1,468)	15,814
Contributions by the Company and its consolidated subsidiaries	168	176	1,521
Retirement benefits paid	(319)	(393)	(2,882)
Others	4	(2)	38
Balance at the end of the year	¥ 10,843	¥ 9,006	\$ 97,946

(3) The following table sets forth the funded status of the plans and the amounts recognized in the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded projected benefit obligations	¥ 8,124	¥ 8,174	\$ 73,388
Plan assets	(10,843)	(9,006)	(97,946)
Subtotal	(2,718)	(832)	(24,558)
Unfunded projected benefit obligations	1,391	1,195	12,566
Net amount of liability and asset in consolidated balance sheet	(1,327)	362	(11,991)
Liabilities (net defined benefit liability)	2,144	2,369	19,374
Assets (net defined benefit asset)	(3,472)	(2,007)	(31,366)
Net amount of liability and asset in consolidated balance sheet	¥ (1,327)	¥ 362	\$ (11,991)

(4) The components of retirement benefit expense for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 518	¥ 564	\$ 4,687
Interest cost	64	73	585
Expected return on plan assets	(232)	(253)	(2,098)
Amortization of actuarial differences	387	289	3,497
Amortization of prior service cost	(18)	(0)	(168)
Retirement benefit expense	¥ 719	¥ 672	\$ 6,502

Actuarial differences and prior service cost included in other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥ (18)	¥ (0)	\$ (168)
Actuarial differences	2,314	(1,064)	20,905
Total	¥ 2,295	¥ (1,065)	\$ 20,736

(5) Unrecognized actuarial differences and unrecognized prior service cost included in accumulated other comprehensive income at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥ (6)	¥ (24)	\$ (56)
Unrecognized actuarial differences	(824)	1,490	(7,445)
Total	¥ (830)	¥ 1,465	\$ (7,501)

(6) The allocation of plan assets by major category as a percentage of total plan assets at the fair value at March 31, 2021 and 2020 was as follows:

	2021	2020
Bonds	47.1%	54.9%
Equity securities	49.9	41.3
Cash and time deposits	1.5	3.4
Others	1.5	0.4
Total	100.0%	100.0%

Notes: 1. The expected long-term rate of return on plan assets is determined with consideration for both the present and future portfolio allocation and the expected long-term rate of return on multiple plan assets at present and in the future.

2. Total plan assets include securities contributed to the retirement benefit trust (28.7% at March 31, 2021 and 20.6% at March 31, 2020).

(7) The assumptions used in accounting for the above plans were as follows:

	2021	2020
Discount rate (mainly)	0.4%	0.4%
Expected long-term rate of return on plan assets (mainly)	3.0%	3.0%

(b) Defined contribution pension plans

The required contribution to the defined contribution pension plans for the years ended March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Contribution to defined contribution pension plans by the Company and its consolidated subsidiaries	¥ 79	¥ 86	\$ 721

12. Cash and time deposits

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of
	2021	2020	U.S. dollars
Cash and time deposits	¥ 31,462	¥ 29,440	\$ 284,192
Time deposits with maturities of more three months	(5,479)	(3,959)	(49,493)
Cash and cash equivalents	¥ 25,983	¥ 25,480	\$ 234,699

13. Other comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ 20,242	¥ (29,647)	\$ 182,839
Reclassification adjustments	(2,984)	(2,848)	(26,957)
Amount before tax effect	17,257	(32,495)	155,882
Tax effect	(4,289)	9,816	(38,747)
Subtotal, net of tax effect	12,968	(22,679)	117,135
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	80	348	728
Reclassification adjustments	—	—	—
Amount before tax effect	80	348	728
Tax effect	(25)	(106)	(231)
Subtotal, net of tax effect	55	242	496
Foreign currency translation adjustment:			
Increase (decrease) during the year	3,155	(1,875)	28,499
Reclassification adjustments	—	—	—
Amount before tax effect	3,155	(1,875)	28,499
Tax effect	—	—	—
Subtotal, net of tax effect	3,155	(1,875)	28,499
Remeasurements of defined benefit plans, net of tax:			
Increase (decrease) during the year	1,911	(1,370)	17,266
Reclassification adjustments	384	305	3,470
Amount before tax effect	2,295	(1,065)	20,736
Tax effect	(702)	325	(6,345)
Subtotal, net of tax effect	1,593	(739)	14,391
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	164	(39)	1,484
Reclassification adjustments	—	—	—
Subtotal	164	(39)	1,484
Total other comprehensive income	¥ 17,935	¥ (25,091)	\$ 162,008

14. Segment information

(a) General information about reportable segments

Inabata Group's reportable segments represent the group's component divisions for which separate financial information is available. This information is regularly evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance. Inabata Group is primarily engaged in the trading of merchandise, the manufacture and sale of various products and the provision of services in Japan and abroad and operates its business in line with a comprehensive strategy regarding merchandise, products and services for domestic and international markets. For effective business management purposes, Inabata Group has segmented its corporate sales and marketing functions into four divisions (reportable segments) based on merchandise, products and target markets/industries, namely: IT & Electronics, Chemicals, Life Industry and Plastics.

The major merchandise, products and services covered by each reportable segment are as follows:

IT & Electronics:	Semiconductor manufacturing equipment Electronic materials, including parts Dyes for printing Raw materials for copying
Chemicals:	Motor parts and raw materials Raw materials for plastic resin Dyestuffs Lumber Composite materials Wooden building materials Residential housing equipment
Lifecycle Industry:	Pharmaceutical and agricultural chemicals and bulk raw materials Raw materials for insecticides Raw materials for toiletries Raw and processed agricultural products Raw and processed marine products
Plastics:	General purpose plastics Engineering plastics

(b) Information on change in reportable segments

Effective from the fiscal year ended March 31, 2020, the Company reconsidered management's classification due to the amendment of the Company's organization aiming to promote efficiency of sales of common merchandize and plan to improve profitability. In accordance with that, the " Housing & Eco Materials " segment has been integrated into the " Chemicals " segment.

(c) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

Accounting methods applied to the reportable business segments are generally the same as those described in Note 2, "Summary of significant accounting policies." Segment income derives from operating income. Inter-segment profits and transfers are based on prevailing market prices.

(d) Information about reportable segment profit and loss, segment assets, segment liabilities and other material items for the years ended March 31, 2021 and 2020 were as follows:

Millions of yen							
Year ended March 31, 2021							
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:							
Outside customers	¥ 224,534	66,626	37,361	248,888	172	—	577,583
Intersegment	—	—	—	—	—	—	—
Total	224,534	66,626	37,361	248,888	172	—	577,583
Segment income	¥ 6,327	1,320	1,563	5,631	130	—	14,973
Total assets	¥ 99,533	46,626	20,498	129,592	433	56,542	353,228
Depreciation and amortization							
Depreciation and amortization	¥ 506	299	239	1,828	—	—	2,874
Amortization of goodwill							
Amortization of goodwill	—	—	—	2	—	—	2
Investments in equity method affiliates							
Investments in equity method affiliates	2,099	1,410	—	850	—	—	4,360
Increases in tangible and intangible assets							
Increases in tangible and intangible assets	¥ 80	193	227	1,241	—	770	2,512

Millions of yen							
Year ended March 31, 2020							
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:							
Outside customers	¥ 218,690	74,181	36,919	270,345	175	—	600,312
Intersegment	—	—	—	—	—	—	—
Total	228,690	74,181	36,919	270,345	175	—	600,312
Segment income	¥ 4,482	1,208	1,166	6,235	135	—	13,229
Total assets	¥ 92,693	43,055	18,447	118,666	451	49,533	322,848
Depreciation and amortization							
Depreciation and amortization	¥ 566	343	269	1,796	—	—	2,976
Amortization of goodwill							
Amortization of goodwill	—	—	—	2	—	—	2
Investments in equity method subsidiary and affiliates							
Investments in equity method subsidiary and affiliates	2,137	1,137	—	882	—	—	4,156
Increases in tangible and intangible assets							
Increases in tangible and intangible assets	¥ 101	170	193	1,216	—	517	2,199

Thousands of U.S. dollars

Year ended March 31, 2021

	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:							
Outside customers	\$ 2,028,134	601,812	337,473	2,248,114	1,554	—	5,217,089
Intersegment	—	—	—	—	—	—	—
Total	2,028,134	601,812	337,473	2,248,114	1,554	—	5,217,089
Segment income	\$ 57,153	11,925	14,122	50,869	1,177	—	135,249
Total assets	\$ 899,049	421,160	185,157	1,170,558	3,916	510,727	3,190,570
Depreciation and amortization	\$ 4,578	2,705	2,161	16,517	—	—	25,963
Amortization of goodwill	—	—	—	25	—	—	25
Investments in equity method affiliates	18,959	12,742	—	7,681	—	—	39,382
Increases in tangible and intangible assets	\$ 725	1,749	2,054	11,209	—	6,957	22,696

Notes: 1. "Others" includes business, such as real estate rental services, not included in reportable segments.

2. Corporate assets included in the Elimination & Corporate column in the amount of ¥56,542 million (\$510,727 thousand) and ¥49,533 million for the years ended March 31, 2021 and 2020, respectively, are mainly surplus funds (cash and deposits), long-term investment funds (investment securities, etc.) and assets pertaining to administrative functions of the Company.

3. Increases in tangible and intangible assets stated in the Elimination & Corporate column in the amount of ¥770 million (\$6,957 thousand) and ¥517 million for the years ended March 31, 2021 and 2020, respectively, are attributable to the Company's administrative functions.

4. Segment income has been adjusted to be consistent with operating income in the consolidated financial statements.

[Related information]

(a) Geographic information

(1) Net sales

Millions of yen						
Year ended March 31, 2021						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 221,593	¥ 126,530	¥ 202,631	¥ 18,505	¥ 8,323	¥ 577,583	

Millions of yen						
Year ended March 31, 2020						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 237,524	¥ 140,117	¥ 195,537	¥ 19,569	¥ 7,562	¥ 600,312	

Thousands of U.S. dollars						
Year ended March 31, 2021						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 2,001,565	\$ 1,142,898	\$ 1,830,293	\$ 167,151	\$ 75,180	\$ 5,217,089	

Note: Sales amounts are based on customer locations and divided into countries and regions.

(2) Property, plant and equipment

Millions of yen						
Year ended March 31, 2021						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 5,005	¥ 6,091	¥ 1,252	¥ 1,156	¥ 889	¥ 14,395	

Millions of yen						
Year ended March 31, 2020						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 4,910	¥ 6,261	¥ 1,026	¥ 942	¥ 822	¥ 13,964	

Thousands of U.S. dollars						
Year ended March 31, 2021						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 45,216	\$ 55,021	\$ 11,312	\$ 10,445	\$ 8,030	\$ 130,026	

(b) Information on the amount of impairment loss on non-current assets by reportable segment

There was no impairment loss on non-current assets for the year ended March 31, 2021 and 2020.

(c) Information on the amount of amortization and the unamortized balance of goodwill by reportable segment

		Millions of yen						
		Year ended March 31, 2021						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated	
Amortization	¥ -	¥ -	¥ -	¥ 2	¥ -	¥ -	¥ 2	
Unamortized balance	-	-	-	2	-	-	2	

		Millions of yen						
		Year ended March 31, 2020						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated	
Amortization	¥ -	¥ -	¥ -	¥ 2	¥ -	¥ -	¥ 2	
Unamortized balance	-	-	-	4	-	-	4	

		Thousands of U.S. dollars						
		Year ended March 31, 2021						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated	
Amortization	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ 25	
Unamortized balance	-	-	-	18	-	-	18	

15. Financial Instruments

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2021 and 2020 were as follows:

	Millions of yen		
	March 31, 2021		
	Book values	Fair values	Differences
Cash and time deposits	¥ 31,462	¥ 31,462	¥ –
Notes and accounts receivable – trade	162,736		
Allowance for doubtful accounts (*1)	(410)		
	162,326	162,326	–
Investment securities			
Available-for-sale securities	60,411	60,411	–
Long-term loans receivable	1,212	1,207	(4)
Total Assets	¥ 255,412	¥ 255,408	¥ (4)
Notes and accounts payable – trade	¥ 104,113	¥ 104,113	¥ –
Short-term loans payable (*2)	33,731	33,731	–
Long-term loans payable	7,475	7,475	(50)
Total Liabilities	¥ 145,320	¥ 145,370	¥ (50)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ (1)	¥ (1)	¥ –
Derivative transactions for which hedge accounting is applied	301	301	–
Total Derivative Transactions	¥ 299	¥ 299	¥ –

	Millions of yen		
	March 31, 2020		
	Book values	Fair values	Differences
Cash and time deposits	¥ 29,440	¥ 29,440	¥ –
Notes and accounts receivable – trade	152,457		
Allowance for doubtful accounts (*1)	(401)		
	152,055	152,055	–
Investment securities			
Available-for-sale securities	43,286	43,286	–
Long-term loans receivable	1,392		
Allowance for doubtful accounts (*1)	(64)		
	1,327	1,326	(0)
Total Assets	¥ 226,109	¥ 226,109	¥ (0)
Notes and accounts payable – trade	¥ 96,761	¥ 96,761	¥ –
Short-term loans payable (*2)	43,073	43,073	–
Long-term loans payable	9,775	9,862	(86)
Total Liabilities	¥ 149,610	¥ 149,696	¥ (86)
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	¥ (6)	¥ (6)	¥ –
Derivative transactions for which hedge accounting is applied	222	222	–
Total Derivative Transactions	¥ 216	¥ 216	¥ –

	Thousands of U.S. dollars		
	March 31, 2021		
	Book values	Fair values	Differences
Cash and time deposits	\$ 284,192	\$ 284,192	\$ —
Notes and accounts receivable – trade	1,469,933		
Allowance for doubtful accounts (*1)	(3,705)		
	<u>1,466,228</u>	<u>1,466,228</u>	<u>—</u>
Investment securities			
Available-for-sale securities	545,674	545,674	—
Long-term loans receivable	10,948	10,911	(36)
Total Assets	<u>\$ 2,307,043</u>	<u>\$ 2,307,006</u>	<u>\$ (36)</u>
Notes and accounts payable – trade	\$ 940,419	\$ 940,419	\$ —
Short-term loans payable (*2)	304,683	304,683	—
Long-term loans payable	67,522	67,974	(452)
Total Liabilities	<u>\$ 1,312,625</u>	<u>\$ 1,313,078</u>	<u>\$ (452)</u>
Derivative transactions (*3)			
Derivative transactions for which hedge accounting is not applied	\$ (17)	\$ (17)	\$ —
Derivative transactions for which hedge accounting is applied	2,722	2,722	—
Total Derivative Transactions	<u>\$ 2,704</u>	<u>\$ 2,704</u>	<u>\$ —</u>

(*1) The balance of “Allowance for doubtful accounts” is deducted individually from the balances of “Notes and accounts receivable - trade” and “Long-term loans receivable.”

(*2) At March 31, 2021 and 2020, short-term loans payables include long-term loans payable due within one year in the amount of ¥3,037 million (\$27,438 thousand) and ¥4,432 million, respectively.

(*3) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

(a) Methods used to calculate fair values of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and time deposits

Because “Cash and time deposits” are short-term and their book values approximate the fair value, these instruments are stated at book value.

(2) Notes and accounts receivable - trade

Because “Notes and accounts receivable - trade” are short-term and their book values approximate the fair value, these instruments are stated at book value. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

(3) Securities and investment securities

The fair value of equity securities is equivalent to the quoted market price, if available. The fair value of bonds is calculated using the present value as determined by discounting the total amount of principal and interest at a rate determined by taking into account the current maturity and credit risks. See Note 4, “Securities,” for matters relating to investment securities based on holding purposes.

(4) Long-term loans receivable

For long-term loans receivable at floating interest rates, market interest rates are reflected over a short period. As such, they are stated at book value because the book value approximates fair value unless the borrower’s credit status has become materially different after such loans were made. The fair value of long-term loans receivable at fixed interest rates is the present value of future cash flows of the receivables. The receivables are categorized into certain periods and divided into groups according to credit risk. Future cash flows are calculated for each group and discounted by a rate that is the sum of an appropriate index rate, such as the long-term prime rate, and the credit spread. The fair value of doubtful receivables is calculated using the amounts deemed recoverable because of collateral, guarantees, etc.

Liabilities

(1) Notes and accounts payable - trade and (2) Short-term loans payable

Because “Notes and accounts payable - trade” and “Short-term loans payable” are short-term and their book values approximate the fair value, these instruments are stated at book value.

(3) Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest at a rate that is assumed to be applied when a similar loan is newly borrowed. A part of the long-term loans payable is subject to currency swaps.

The fair value of these long-term loans payable is determined by discounting the future cash flows that were accounted for as a single item with the related currency swaps at the rate that is assumed to apply if a similar new loan was taken out.

Derivative Transactions

See Note 5, “Derivatives.”

(b) The following table summarizes book values of financial instruments with no fair values at March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investments in unconsolidated subsidiaries and affiliates	¥ 4,740	¥ 4,564	\$ 42,820
Available-for-sale securities			
Unlisted equity securities	6,450	6,395	58,264
Others	0	0	0
Total	¥ 11,191	¥ 10,959	\$ 101,084

The above items are not included in “Investment securities” because the absence of a market value makes it impossible to estimate future cash flows and extremely difficult to determine the fair value.

(c) Financial instruments with maturities at March 31, 2021 and 2020 were as follows:

	Millions of yen			
	March 31, 2021			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 31,462	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	162,258	477	—	—
Available-for-sale securities				
Bonds	10	—	—	—
Others	—	—	—	—
Long-term loans receivable	—	814	397	0
Total	¥ 193,731	¥ 1,292	¥ 397	¥ 0

	Millions of yen			
	March 31, 2020			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 29,440	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	151,822	634	—	—
Available-for-sale securities				
Bonds	10	9	—	—
Others	—	—	—	—
Long-term loans receivable	—	871	520	0
Total	¥ 181,272	¥ 1,516	¥ 520	¥ 0

Thousands of U.S. dollars				
March 31, 2021				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	\$ 284,192	\$ –	\$ –	\$ –
Notes and accounts receivable - trade	1,465,617	4,316	–	–
Available-for-sale securities				
Bonds	91	–	–	–
Others	–	–	–	–
Long-term loans receivable	–	7,355	3,588	4
Total	<u>\$ 1,749,899</u>	<u>\$ 11,672</u>	<u>\$ 3,588</u>	<u>\$ 4</u>

(d) Short-term loans payable and long-term loans payable with maturities at March 31, 2021 and 2020 were as follows:

Millions of yen				
March 31, 2021				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 30,693	¥ –	¥ –	¥ –
Long-term loans payable	3,037	7,439	35	–
Total	<u>¥ 33,731</u>	<u>¥ 7,439</u>	<u>¥ 35</u>	<u>¥ –</u>

Millions of yen				
March 31, 2020				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 38,640	¥ –	¥ –	¥ –
Long-term loans payable	4,432	8,775	1,000	–
Total	<u>¥ 43,073</u>	<u>¥ 8,775</u>	<u>¥ 1,000</u>	<u>¥ –</u>

Thousands of U.S. dollars				
March 31, 2021				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	\$ 277,244	\$ –	\$ –	\$ –
Long-term loans payable	27,438	67,201	321	–
Total	<u>\$ 304,683</u>	<u>\$ 67,201</u>	<u>\$ 321</u>	<u>\$ –</u>

16. Shareholders' equity

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The change in common stock for the years ended March 31, 2021 and 2020 was as follows:

		Number of shares			
		Year ended March 31, 2021			
		April 1, 2020	Increase	Decrease	March 31, 2021
Common stock		63,499,227	—	—	63,499,227
		Number of shares			
		Year ended March 31, 2020			
		April 1, 2019	Increase	Decrease	March 31, 2020
Common stock		63,499,227	—	—	63,499,227

17. Treasury stock

The change in treasury stock for the years ended March 31, 2021 and 2020 was as follows:

	Number of shares			
	Year ended March 31, 2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Treasury stock	3,302,640	11	-	3,302,651

1. Treasury stock at the end of the current consolidated fiscal year included 100,000 shares of the Company owned by the Board Benefit Trust (BBT trust account) for the year ended March 31, 2021.

2. The increase in treasury stock is related with the purchase of shares of less than one voting unit for the year ended March 31, 2021.

	Number of shares			
	Year ended March 31, 2020			
	April 1, 2019	Increase	Decrease	March 31, 2020
Treasury stock	3,002,502	300,138	-	3,302,640

1. Treasury stock at the end of the current consolidated fiscal year included 100,000 shares of the Company owned by the Board Benefit Trust (BBT trust account) for the year ended March 31, 2020.

2. The increase in treasury stock consists of 300,000 shares from the purchase of shares by resolution of the Board of Directors and 138 shares from the purchase of shares of less than one voting unit for the year ended March 31, 2020.

18. Related party disclosures

The Company is an affiliate of SUMITOMO CHEMICAL COMPANY, LIMITED, which owned 22.9% and 22.8% of the Company's voting shares at March 31, 2021 and 2020, respectively.

SUMIKA TECHNOLOGY CO., LTD. is the subsidiary of SUMITOMO CHEMICAL COMPANY, LIMITED.

The Company controlled 15% and 15% of the voting shares of SUMIKA TECHNOLOGY CO., LTD. at March 31, 2021 and 2020, respectively.

(a) Significant transactions with related parties for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
SUMITOMO CHEMICAL COMPANY, LIMITED			
Net sales	¥ 9,138	¥ 7,837	\$ 82,544
Purchases	9,921	10,706	89,614
Notes and accounts receivable - trade	4,914	3,635	44,395
Notes and accounts payable - trade	2,510	2,244	22,679
Pledges of investment securities	10,981	7,871	99,192
SUMIKA TECHNOLOGY CO., LTD.			
Net sales	¥ 15,001	¥ 16,750	\$ 135,499
Notes and accounts receivable - trade	7,604	6,375	68,687

(b) The consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2021 and 2020 were as follows:

TAIWAN INABATA SANGYO CO., LTD.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
SUMIKA TECHNOLOGY CO., LTD.			
Purchases	¥ 16,201	¥ 32,556	\$ 146,343
Notes and accounts payable - trade	3,509	7,472	31,698

19. Contingent liabilities

At March 31, 2021 and 2020, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Discounted notes receivables	¥ 343	¥ 861	\$ 3,098
Guarantees for loans of customers and others	703	912	6,352
Total	¥ 1,046	¥ 1,773	\$ 9,451

20. Subsequent events

(Cash dividends)

At the meeting of the Board of Directors of the Company held on May 11, 2021 and May 22, 2020, an appropriation of nonconsolidated retained earnings for the years ended March 31, 2021 and 2020 was duly approved as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash dividends - ¥43.00 (\$0.39) per share	¥ 2,601	¥ 1,996	\$ 23,494

Note: Total dividends of ¥2,601 million (\$23,494 thousand) and ¥1,996 million for the years ended March 31, 2021 and 2020, respectively, by the resolution at the Board of Directors include dividends on the Company's stock held by the Board Benefit Trust (BBT trust account) of ¥4 million (\$38 thousand) and ¥3 million.

(Sales of investment securities)

The Company resolved to sell part of the investment securities held by the Company at the Board of Directors' meeting held on May 11, 2021 and June 23, 2021.

(1) Reason for sale of investment securities

In order to pursue greater efficiency of owned assets and strengthen financial position.

(2) Details of sales of investment securities

- ① Investment securities to be sold: Marketable securities of two listed companies owned by the Company
- ② Time of recognition of gain on sales of investment securities: In the Three Months Ending June 30, 2021 and by the Fiscal Year Ending March 31, 2022
- ③ Gain on sales of investment securities: Approximately ¥6,400 million (\$57,808 thousand) (estimate)