Fuji Electric

Innovating *Energy Technology*

Fuji Electric Report Financials

2022

Contents

Consolidated Financial Highlights

Years ended March 31	Millions of yen 2018	2019	2020	2021	2022*9	Thousands of U.S. dollars*1 2022*9
Operating Results						
Net sales	¥ 893,451	¥ 914,915	¥ 900,604	¥ 875,927	¥ 910,226	$ 7,460,873
Japan	674,744	682,503	679,719	654,020	655,821	5,375,586
Overseas	218,707	232,412	220,885	221,907	254,405	2,085,287
Operating income	55,962	59,972	42,515	48,595	74,835	613,407
Net Income Attributable to Owners of Parent	37,763	40,267	28,793	41,926	58,660	480,823
R&D and Capital Investment						
R&D expenditures	¥ 35,620	¥ 33,669	¥ 34,457	¥ 33,562	¥ 33,756	$ 276,693
Plant and equipment investment*2	26,465	43,338	48,208	35,890	59,320	486,236
Depreciation and amortization*3	30,151	30,906	32,319	36,194	39,969	327,616
Cash Flows						
Cash flows from operating activities	¥ 53,146	¥ 54,949	¥ 46,087	¥ 26,931	¥ 76,809	$ 629,583
Cash flows from investing activities	(14,550)	(21,448)	(27,621)	23,477	(22,350)	(183,204)
Free cash flow	38,596	33,501	18,466	50,408	54,458	446,380
Cash flows from financing activities	(46,887)	(38,172)	16,918	(39,518)	(42,894)	(351,591)
Financial Position						
Total assets*4	¥ 914,744	¥ 952,659	¥ 996,827	¥ 1,051,952	¥ 1,117,112	$ 9,156,663
Total net assets	366,546	392,061	406,002	461,254	523,729	4,292,868
Equity	330,636	352,922	365,620	416,997	472,900	3,876,235
Net interest-bearing debt	130,177	124,850	153,617	140,872	117,041	959,353
Interest-bearing debt	163,507	153,985	217,364	216,205	208,391	1,708,130
Financial Indicators						
Ratio of operating income to net sales (%)	6.3	6.6	4.7	5.5	8.2	—
Ratio of overseas sales to net sales (%)	24.5	25.4	24.5	25.3	27.9	—
ROE (Return on equity) (%)	12.1	11.8	8.0	10.7	13.2	—
ROA (Return on assets) (%)*4	4.2	4.3	3.0	4.1	5.4	—
Equity ratio (%)*4	36.1	37.0	36.7	39.6	42.3	—
Net debt-equity ratio (times)*5	0.4	0.4	0.4	0.3	0.2	—
Debt-equity ratio (times)*6	0.5	0.4	0.6	0.5	0.4	—
Per Share Data *7	Yen					U.S. dollars*1
Net income	¥ 264.34	¥ 281.89	¥ 201.57	¥ 293.52	¥ 410.68	$ 3.366
Net assets	2,314.50	2,470.65	2,559.60	2,919.34	3,310.80	27.138
Cash dividends	70.00	80.00	80.00	85.00	100.00	0.820
Dividend payout ratio (%)	26.5	28.4	39.70	29.00	24.30	—
Others						
Employees	27,009	27,416	27,960	27,593	26,757	—
Japan	17,704	17,647	17,681	17,647	17,493	—
Overseas	9,305	9,769	10,279	9,946	9,264	—
Total shareholder return (%)	111.7	99.6	81.1	149.0	198.94	—
(Comparative indicator: TOPIX including dividends)	(115.9)	(110.0)	(99.6)	(141.5)	(144.34)	—
Highest stock price (Yen)*8	955	4,760 (942)	3,950	4,860	6,500	—
Lowest stock price (Yen)*8	559	2,982 (697)	1,960	2,197	4,370	—

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥122 = U.S. $1, the approximate exchange rate at March 31, 2022.
*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.
*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.
*4 Effective April 1, 2018, the Company have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018). As such, major management indicators in consolidated accounting period as of March 31, 2018 have been adjusted to retroactively apply said accounting standards.
*5 Net debt-equity ratio is the ratio of net interest-bearing debt (interest-bearing debt + lease obligations – cash and cash equivalents) to equity.
*6 Debt-equity ratio is the ratio of interest-bearing debt to equity.
*7 Effective October 1, 2018, the Company conducted an 1-for-5 common stock consolidation. Amounts for net income per share and net assets per share have been calculated assuming that the stock consolidation took place on April 1, 2017. The amount of dividend ¥48 per share for the year ended March 31, 2019 is total of the interim dividend of ¥8 per share and the year-end dividend of ¥40 per share. Since the Company conducted an 1-for-5 common stock consolidation effective October 1, 2018, the interim dividend of ¥8 does not reflect stock consolidation effect and the annual dividend of ¥40 reflects stock consolidation effect. If the stock consolidation effect is also considered to the interim dividend per share, the interim dividend of ¥8 per share without the effect is equivalent to ¥40 per share with the stock consolidation effect. Accordingly, the annual dividend for fiscal 2018 amounted to ¥80 per share, including adjusted interim dividend of ¥40 per share and year-end dividend ¥40 per share.
*8 The highest and lowest stock prices are on the Tokyo Stock Exchange (First Section). The Company conducted an 1-for-5 common stock consolidation effective October 1, 2018. The stock price in fiscal 2018 is the highest and lowest stock price after the stock consolidation and the highest and lowest stock prices before the stock consolidation are in parentheses.
*9 From the beginning of the current fiscal year, the company applied the "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan ("ASBJ") statement No. 29 issued on March 31, 2020),etc. The figures for the current fiscal year in the "Consolidated Financial Highlights" reflect the application of the accounting standards.

Management's Discussion and Analysis

Overview

In fiscal 2019, we launched a five-year Medium-Term Management Plan called "Reiwa Prosperity 2023." The final year of the plan is fiscal 2023, when we will celebrate the 100th anniversary of our founding. Under the plan, we are promoting various growth strategies. These include focusing resources on growth fields—namely, power electronics systems and power semiconductors—while expanding our overseas business.

In fiscal 2021, the market environment surrounding the Company benefited from the trends of global initiatives toward decarbonization and the recovery of economic activity. Demand for machine tool-related products remained high as plant and equipment investment in the manufacturing sector continued to pick up, and growth in the electrification of automobiles and the need for energy saving led to significant expansion in demand. On the other hand, the future outlook remained uncertain as the global supply chain suffered mainly from soaring material prices and material shortages due to the impact of the COVID-19 pandemic and changes in the international political situation.

Financial Performance

Net Sales

Net sales in fiscal 2021 increased by 3.9%, to ¥910,226 million.

In the Power Electronics Energy, Semiconductors, and Food and Beverage Distribution segments, net sales increased. However, in the Power Electronics Industry and Power Generation segments, net sales decreased. Domestic sales increased by 0.3%, to ¥655,821 million. Overseas sales increased by 14.6%, to ¥254,405 million.

The ratio of overseas sales increased by 2.6 percentage points, to 27.9%.

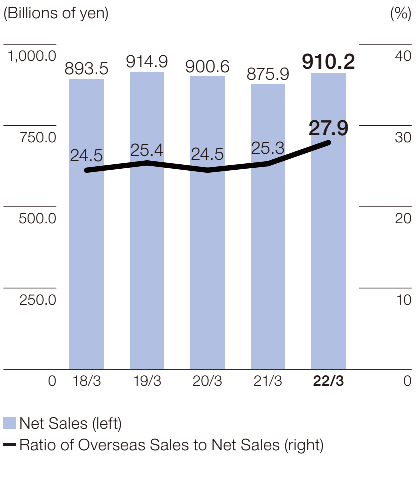
Cost of Sales, Selling, General and Administrative Expenses and Operating Income

Cost of sales increased by 0.5 percentage points, to ¥657,790 million. The ratio of cost of sales to net sales decreased by 2.4 percentage points, to 72.3%.

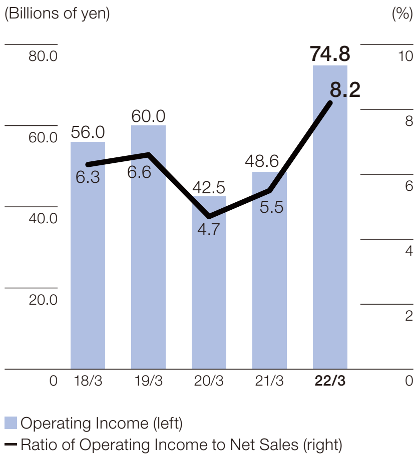
Selling, general and administrative expenses increased by 2.9%, to ¥177,601 million. The ratio of selling, general and administrative expenses to net sales decreased by 0.2 percentage point, to 19.5%.

Operating income increased by ¥26,240 million, to ¥74,835 million, primarily due to higher sales and production volumes, increase in product sales price, and strengthening the constitution of factories mainly by cost reduction, while being affected by soaring material prices. The operating margin increased by 2.7 percentage points, to 8.2%.

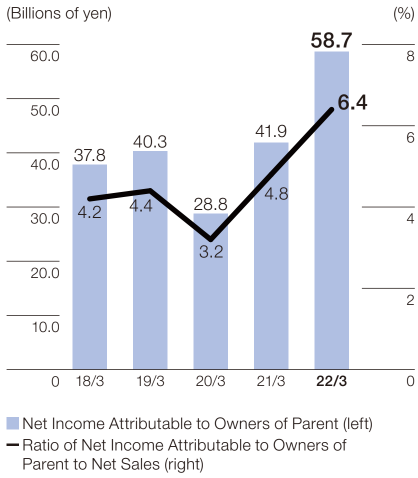
Net Sales / Ratio of Overseas Sales to Net Sales



Operating Income / Ratio of Operating Income to Net Sales



Net Income Attributable to Owners of Parent / Ratio of Net Income Attributable to Owners of Parent to Net Sales



Non-Operating Income (Expenses) and Ordinary Income

Non-operating income (net) was ¥4,462 million, a ¥2,656 million increase from ¥1,806 million in the previous fiscal year. This increase was primarily due to a ¥1,288 million foreign exchange gain, which ¥379 million foreign exchange loss turned into, and a decrease in provision of allowance for doubtful accounts for investment loss for subsidiaries and affiliates by ¥442 million. As a result, ordinary income increased by ¥28,896 million, to ¥79,297 million.

Extraordinary Income (Loss), Income before Income Taxes and Non-Controlling Interests

Extraordinary income was ¥10,537 million, included gain on sales of noncurrent assets and gain on sales of investment securities. This represented a ¥30,607 million decrease due to a decrease in gain on sales of investment securities.

Extraordinary loss was ¥1,349 million, included loss on disposal of noncurrent assets, loss on devaluation of investment securities, factory integration expenses, and loss on withdrawal from business. This represented a ¥26,913 million decrease due to cost of corrective measures for product defects and impairment loss in the previous fiscal year.

Net Income

Income before income taxes increased by ¥25,203 million, to ¥88,487 million. After deducting ¥23,931 million of income taxes (the net of income taxes-current and income taxes-deferred) and ¥5,896 million of net income attributable to non-controlling interests, net income attributable to owners of parent increased by ¥16,734 million, to ¥58,660 million.

Results by Business Segment

Power Electronics Energy

Net sales: ¥240,559 million (an increase of 15.0%)
Operating income: ¥21,365 million (an increase of ¥7,347 million)

Net sales and operating income increased primarily due to higher demand for the ED&C components business and the facility / power source system business.

- In the energy management business, net sales and operating income decreased primarily due to large-scale orders for industrial and railway substation in the previous fiscal year.
- In the facility / power source system business, net sales and operating income increased due to higher demand for data centers and semiconductor manufacturers.
- In the ED&C components business, net sales and operating income increased due to higher demand from domestic and oversea machine set manufacturers.

Orders received in fiscal 2021 (Power Electronics Energy segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥137.5 billion.

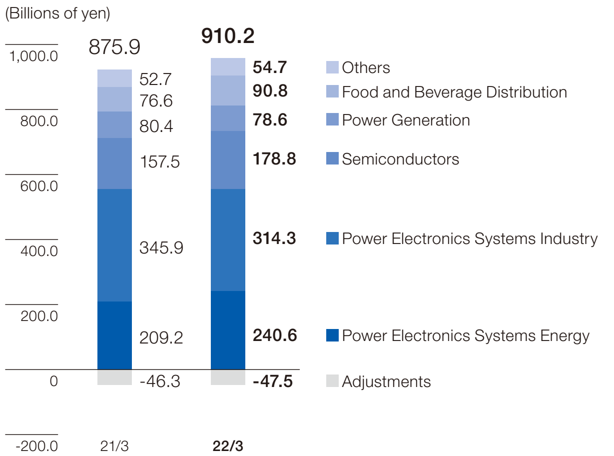
Power Electronics Industry

Net sales: ¥314,310 million (a decrease of 9.1%)
Operating income: ¥23,676 million (an increase of ¥1,895 million)

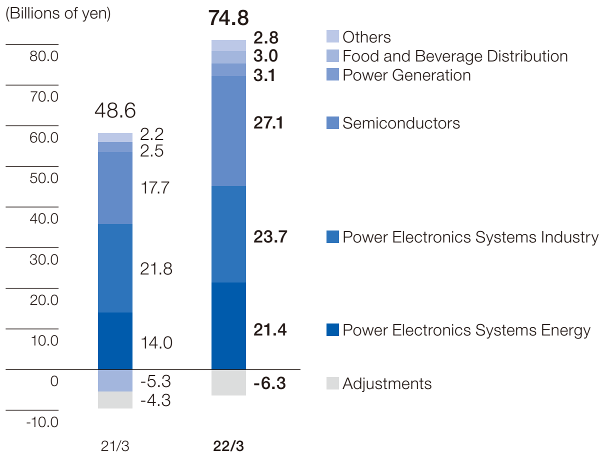
Net sales decreased primarily due to large-scale orders in the IT solutions business in the previous fiscal year, while higher demand for factory automation business. However, operating income increased primarily due to higher demand for factory automation business, changing designs and alternative materials as a countermeasure for difficulty in procuring materials, and cost reduction.

- In the factory automation business, net sales and operating income increased primarily due to higher demand for low-voltage inverters and FA components.

Net Sales by Segment



Operating Income (Loss) by Segment



- In the social solutions business, net sales decreased primarily due to lower demand for the scrubber systems, while there was higher demand for the large-scale electrical products for transport systems. However, operating income increased primarily due to the favorable sales mix.
- In the equipment construction business, net sales and operating income increased primarily due to higher demand for electricity and air-conditioning equipment constructions.
- In the IT solutions business, net sales and operating income decreased due to large-scale orders for the academic sector and the public sector in the previous fiscal year.

Orders received in fiscal 2021 (Power Electronics Industry segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥166.6 billion.

Semiconductors

Net sales: ¥178,807 million (an increase of 13.5%)
Operating income: ¥27,136 million (an increase of ¥9,484 million)

- In the semiconductors business, net sales increased primarily due to the acceleration of the increase in production capacity in response to higher demand for power semiconductors for electric vehicles (xEV) and industrial fields, while withdrawing from the magnetic disks business. As a result, although costs related to the increase in production capacity for power semiconductor and research and development increased, operating income increased due to maintaining high operations.

Orders received in fiscal 2021 (Semiconductors segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥151.9 billion.

Power Generation

Net sales: ¥78,563 million (a decrease of 2.2%)
Operating income: ¥3,124 million (an increase of ¥607 million)

- In the power generation plant business, net sales decreased primarily due to large-scale orders for renewable energy in the previous fiscal year. However, operating income increased due to the favorable sales mix and cost reduction.

Orders received in fiscal 2021 (Power Generation segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥81.8 billion.

Food and Beverage Distribution

Net sales: ¥90,783 million (an increase of 18.6%)
Operating income: ¥3,007 million (an increase of ¥8,287 million)

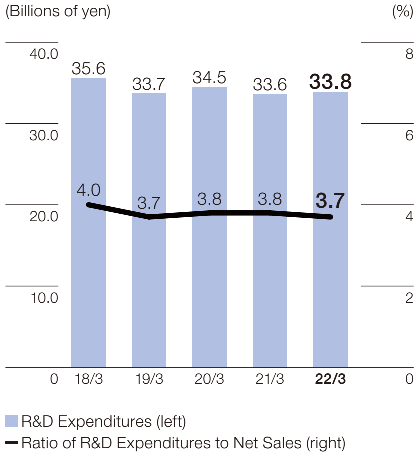
- In the vending machine business, net sales increased primarily due to higher demand in domestic and overseas market. In addition, operating income increased primarily due to an increase in sales and a reduction in fixed costs.
- In the store distribution business, net sales and operating income increased primarily due to higher demand for store equipment for convenience stores.

Orders received in fiscal 2021 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥84.3 billion.

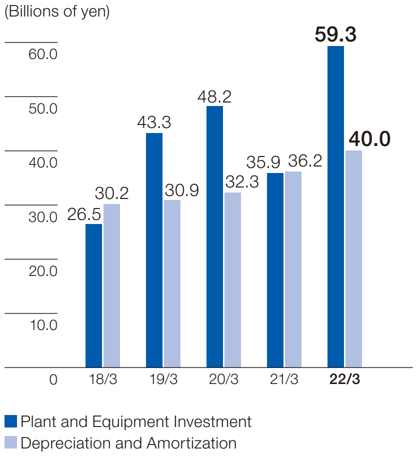
Others

Net sales: ¥54,711 million (an increase of 3.8%)
Operating income: ¥2,838 million (an increase of ¥623 million)

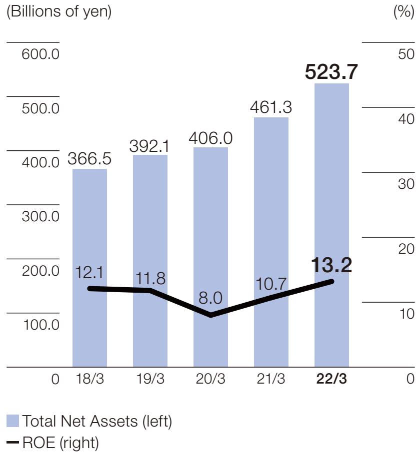
R&D Expenditures / Ratio of R&D Expenditures to Net Sales



Plant and Equipment Investment / Depreciation and Amortization



Total Net Assets / ROE



R&D Investment and Plant and Equipment Investment

R&D

Fuji Electric is engaged in many advanced systems such as creations of energy, stable supplies, automation, and electrification of mobility by utilizing core technologies such as power semiconductors, power electronics, measuring and control, and cooling.

The Company's R&D expenditures in fiscal 2021 totaled ¥33,756 million.

As of March 31, 2022, the number of our industrial property rights registered in Japan and overseas was 13,353.

Plant and Equipment Investment

In fiscal 2021, we made capital investments totaling ¥59,320 million, including leases, to increase the production capacity of semiconductors and to increase revenues in power electronics systems. Major investments were as follows.

In the Semiconductors business, in response to the electrification of automobile s and growing demand for renewable energy, we made a new large-scale investment in front-end processes at Fuji Electric Tsugaru Semiconductor Co., Ltd. to increase production capacity for power semiconductor chips. In back-end processes, we made investments to increase production of high-capacity IGBT modules in Japan and overseas.

In the Power Electronics Systems business in Japan, we completed construction of the plant system building at the Tokyo Factory to strengthen plant system development and production systems. In response to growing demand in the datacenter market, we made investments at the Kobe Factory to increase uninterruptible power system (UPS) testing capacity and to streamline operations. Overseas, we consolidated the production functions of switch gears and molded transformers, which had been dispersed among multiple bases in Southeast Asia, at Fuji Electric Manufacturing (Thailand) Co., Ltd . and increased production capacity for inverters and measuring instruments at Fuji Electric India Private Ltd. We are expanding our systems business globally.

As part of our investments for environmental measures to reduce greenhouse gas emissions, we have installed LED lighting, high-efficiency air conditioning, and greenhouse gas removal equipment at our factories.

Financial Position

Total Assets

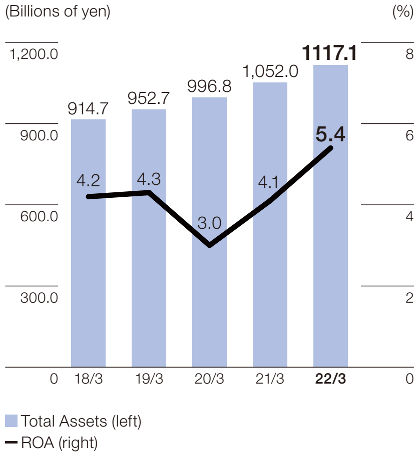
As of March 31, 2022, total assets was ¥1,117,112 million, an increase of ¥65,160 million.

Current Assets and Current Liabilities

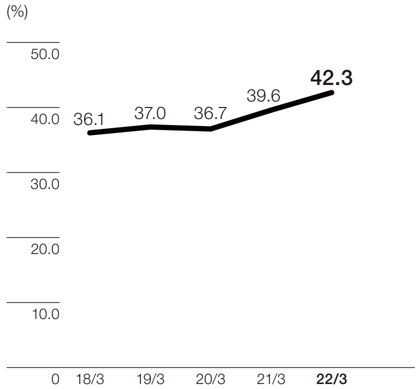
Total current assets was ¥681,981 million, an increase of ¥52,774 million. This increase was primarily due to an increase of ¥16,018 million in cash and cash equivalents and ¥37,697 million in notes receivable-trade, accounts receivable-trade, and contract assets.

Total current liabilities was ¥386,969 million, an increase of ¥30,553 million. This increase was primarily due to an increase of ¥26,151 million in current portion of long-term debt, partially offset by a decrease of 8,418 million in provision for product warranties.

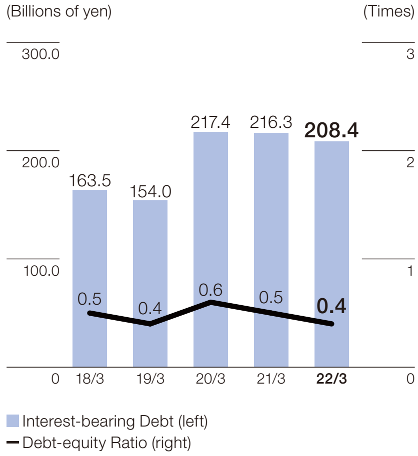
Total Assets / ROA



Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



Noncurrent Assets
Total noncurrent assets was ¥435,131 million, an increase of ¥12,386 million. Net property, plant and equipment was ¥233,675 million, an increase of ¥23,917 million. Total investments and other assets was ¥201,456 million, a decrease of ¥11,531 million. This decrease was primarily due to a decrease of ¥9,966 million in investment securities mainly due to sales.

Long-term Liabilities
Total long-term liabilities was ¥206,414 million, a decrease of ¥27,868 million. This decrease was primarily due to a decrease of ¥30,410 million in long-term debt.

Net Assets
As of March 31, 2022, net assets was ¥523,729 million, an increase of ¥62,475 million. This increase was primarily due to an increase of ¥47,513 million in retained earnings and ¥12,628 million in foreign currency translation adjustments. As a result, the equity ratio was 42.3%, an increase of 2.7 percentage points.

Debt
As of March 31, 2022, interest-bearing debt was ¥208,391 million, a decrease of ¥7,814 million. The ratio of interest-bearing debt to total assets was 18.7%, a decrease of 1.9 percentage-points.

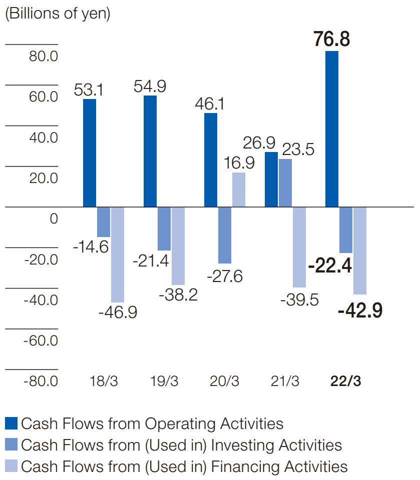
Cash Flow
Consolidated free cash flow (net cash provided by (used in) operating activities + net cash provided by (used in) investing activities) was a positive ¥54,458 million, a ¥4,050 million increase from the previous fiscal year's positive free cash flow of ¥50,408 million.

Cash Flows from Operating Activities
Net cash provided by operating activities was ¥76,809 million, compared with ¥26,931 million in the previous fiscal year. Major factors of cash decrease included an increase in inventories and a decrease in trade payables. Major factors of the cash increase included income before income taxes and an increase in contract liabilities. Cash flows from operating activities increased by ¥49,878 million.

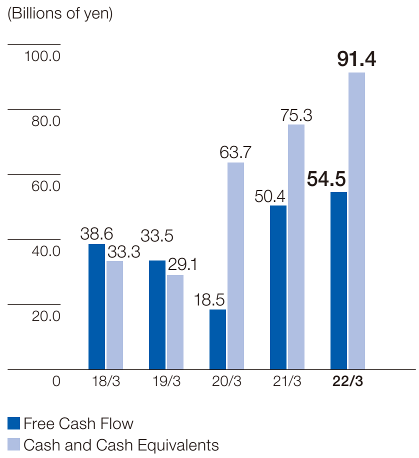
Cash Flows from Investing Activities
Net cash used in investing activities was ¥22,350 million, compared with net cash provided by investing activities of ¥23,477 million in the previous fiscal year. This was primarily due to purchases of property, plant and equipment offset by sales of investment securities. Net cash used in investing activities increased by ¥45,827 million.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥42,894 million, compared with net cash used in financing activities of ¥39,518 million in the previous fiscal year. This was primarily due to repayments of lease obligations and payments of cash dividends paid. Net cash used in financing activities increased by ¥3,376 million.

Cash Flows



Free Cash Flow / Cash and Cash Equivalents



Risk Factors

Fuji Electric manages business and other risks in a coordinated, systematic manner and takes appropriate measures to minimize the impact of such risks. The following factors were judged to have a potential future effect on Fuji Electric's business performance and financial position. Any forward-looking statements in the following are based on the judgment of management as of the date of submitting the securities report (June 28, 2022).

(1) Management Strategies, Business Strategies, and Operating Environment

Fuji Electric works to swiftly concentrate management resources on businesses earmarked for growth while making capital and R&D investments aimed at expanding and developing its businesses. With respect to semiconductor-related capital investments, which require large amounts of money, we make decisions based on negotiations with customers regarding physical quantities and pricing. Regarding R&D investments, we emphasize consistency with our business strategies and contribution to our businesses. Based on our roadmap, we pursue R&D on fundamental and advanced technologies that support Fuji Electric's future. Here, the management engages in regular deliberations about key development themes and constantly reviews the roadmap according to market changes. However, the semiconductor field is characterized by short product cycles, major fluctuations in product supply/demand levels, and intense competition. In some cases, therefore, we may be unable to recover our investment, which may affect its business performance and financial position.

Fuji Electric is contributing to realize a sustainable society through our energy and environment related businesses, considering protection of the global environment to be an important management priority. Also, we promote our Environmental Vision 2050, which aims to realize a low-carbon society, recycling-oriented society, and a society in harmony with nature, across the supply chain. Further, we announced its support for the recommendations of the TCFD, Task Force on Climate-related Financial Disclosures, and conduct climate change risk analysis from a long-term perspective. However, stricter enforcement of the Paris Agreement and other environmental regulations, as well as assessments by ESG evaluation institutions may lead to stronger criticism of part of Fuji Electric's operations (coal-fired power generation business), which may affect its business performance and financial position.

Fuji Electric has business bases around the world and provides products and services to markets and customers in multiple regions. The spread of COVID-19 in many countries has led to emergency declarations, lockdowns, and other restrictions on economic activities. These have had various effects on Fuji Electric's business activities, including restrictions on sales activities, factory operation suspensions, and limitations on construction site visits. If these restrictions are tightened, it could increase the impact on Fuji Electric's business activities, which may affect its business performance and financial position.

(2) Corporate Governance

Fuji Electric is working to strengthen its corporate governance by improving management transparency and auditing functions during normal times. However, an unprecedented event may lead to deficiencies in our internal control and audit functions, resulting in corporate governance breakdown and business disruption, etc., which may affect our business performance and financial position.

(3) Business Reorganizations, Alliances, and Withdrawals

Fuji Electric actively engages in M&As, joint ventures, business alliances, and the like with third parties in order to strengthen its competitiveness in each business field. As part of these activities, we share our corporate philosophy, management policy, code of conduct, business plans, business strategies, and so on to facilitate integration of our business strategies, technologies, products, and human resources. Through management meetings and other forums, we strive to maintain close communication with partners and build good relationships with them. Due to differences in systems and cultures, however, we may be unable to achieve the desired outcomes, which may affect our business performance and financial position.

(4) Orders, Marketing, and Sales Promotion

Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. We have sales offices in various markets to better understand customer trends and centrally manage the information we collects for analysis and consideration and otherwise strive not to miss business opportunities. We also work to reduce costs and expenses in order to minimize the impact of domestic and overseas trends on our business performance. However, any number of events may affect our business performance and financial position. These include deteriorating market conditions in each country —including private capital investments and public expenditures— as well as sudden changes in supply and demand of products, intensifying competition, and the resultant significant falls in prices.

Fuji Electric receives orders for large-scale plant projects in the power electronics field and the power generation field, etc. In order to secure appropriate profits in each project, we work to improve the accuracy of our quotations at the time of order receipt and strengthen project management afterwards. After receipt of orders, however, any number of events may affect our business performance and financial position. These include unanticipated specification changes, process delays, and profitability declines due to natural disasters and the like.

(5) Development and Design Engineering

Fuji Electric has established an R&D system to accelerate research and development and constantly monitors market, customer needs and the latest technological trends. At the same time, we conduct R&D aimed at creating strong components and systems, focused on power electronics and power semiconductor technologies, and R&D to develop solutions that generate customer value through combinations of elemental technologies.

Due to rapid technological advances, however, we may lose our advantage over other companies, and product development may not proceed as planned, making it impossible to launch new product at the right time. Any of these events may affect our business performance and financial position.

(6) Procurement

Fuji Electric deploys various means, including product swaps, to reduce the risk of rising raw material prices. However, in addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials and significant increases in their prices. Any of these events may affect our business performance and financial position.

(7) Production, Manufacturing, Shipping, Logistics, Installation, Delivery, and Service

Fuji Electric always keeps track of the latest physical quantity flows by sharing information between its sales and business departments at management meetings and other forums. We have also built an optimal production management system that can respond to changes in physical quantity flows by such as improving productivity and promoting local production for local consumption. However, an unprecedented event could result in increased/decreased demand and other changes in physical quantity flows, leading to delayed responses and inventory shortages/surpluses, which may affect our business performance and financial position.

Through reforms of its supply chain, Fuji Electric works to promote “completely localized” manufacturing through local production for local consumption while also emphasizing global procurement. However, an unprecedented event could result in restrictions on human and commodity movements and disruptions to our distribution network. This could prevent our supply chain from functioning and cause delays in deliveries, which may affect our business performance and financial position.

(8) Quality Assurance

Fuji Electric has established a quality control system for the products it manufactures and sells and strives to ensure high quality standards. Although we have made the necessary insurance arrangements, an unprecedented event could cause quality-related problems in our products to arise and spread, which may affect our business performance and financial position.

(9) Human Resources and Labor

The business activities of Fuji Electric depend heavily on its human resources. To attract and develop excellent human resources in various fields —such as technology, production, sales, and business management— we focus on cultivating professional human resources who will help strengthen our global competitiveness. We also actively conduct employee education and training and are expanding mid-career recruitment and other measures to attract exceptional human resources. However, failure to attract and develop such important human resources may have an impact on our business performance and financial position.

(10) Finance and Accounting

Seeking to minimize fund-raising costs, Fuji Electric constantly examines the optimal mix of corporate bonds, commercial paper, and short-term and long-term borrowings, in order to ensure flexible and stable financing arrangements. However, an unexpected increase in interest rates could raise the interest rate burden on our interest-bearing debt, which may have an impact on our business performance and financial position.

Fuji Electric works to strengthen credit management, including by monitoring long-overdue receivables and the financial status of business partners, in order to enhance its collection of trade receivables. However, restrictions on economic activities and economic downturn could cause business partners’ cash flows to deteriorate and prevent us from recovering debts, which may have an impact on our business performance and financial position.

(11) Legal and Ethical

Fuji Electric engages in business in various fields and regions, and as such is subject to the laws and regulations of each country. The Fuji Electric Compliance Promotion Committee, chaired by our representative director, spearheads efforts to ensure rigorous compliance with laws and regulations. We also have a compliance program that clearly identifies roles and responsibilities covering each aspect of legal regulations —namely, internal rules, monitoring, auditing, and education— and our compliance structure also includes a whistleblowing system. However, any occurrence of legal violations and the like may have an impact on our business performance and financial position.

In preparation for lawsuits and other legal disputes, Fuji Electric has formed a task force aimed at building a system to ensure that necessary procedures (fact investigation, corrective action, recurrence prevention, internal write-down, and disclosure) and are conducted promptly. However, we may be ordered to pay unexpectedly large amounts of damages, which, depending on the nature of the decision, may have an impact on our business performance and financial position.

Fuji Electric strives to effectively protect intellectual property rights and develop products and technologies that respect the rights of other companies. Due to the speed of technological innovation and the global expansion of our business activities, however, intellectual property disputes could arise, which may have an impact on our business performance and financial position.

(12) Political and Socioeconomic Trends

Fuji Electric engages in currency exchange contracts, based on certain criteria, to minimize the impact of foreign exchange fluctuations. However, any changes in exchange rates, primarily between the yen and the U.S. dollar, may have an impact on our business performance and financial position.

Fuji Electric develops its business in many overseas markets, mainly in China and other Asian markets, and always closely monitors the latest information on geopolitical risks. We are also diversifying our production and sales bases in preparation for unexpected risks.

However, any of the following events may have an impact on our business performance and financial position:

- Unexpected enactment of laws/regulations and changes in tax systems with adverse effects
- Disadvantageous political situations
- Social turmoil due to social upheaval, terrorism, war, and the like

(13) Trends of Shareholder and Other Investors

Fuji Electric attaches great importance to disclosure of financial information, active disclosure of non-financial information, and communication with shareholders and institutional investors. We also strive to foster understanding of our management through sincere and accurate disclosure of information according to our Disclosure Policy. However, the intentions of stockholders and other investors may differ from those of the Company’s management, which could result in a vote against the election of directors. Also, a shareholder proposal against management could cause disruption of our operations. These and other events may have an impact on our business performance and financial position.

(14) Natural Disasters and Accidents

Fuji Electric has business bases all over the world and is committed to fulfilling its responsibilities to customers and society by continuously supplying products and services in the event of disaster or accident. To this end, we established a dedicated crisis management team to spearhead fire and disaster prevention efforts, formulation of a business continuity plan (BCP), and adoption of necessary insurance arrangements in order to “strengthen our business continuity capability.” However, any number of events may have an impact on our business performance and financial position. These include large-scale disasters or accidents at/near our business sites, which could cause damage of production equipment, interruption of operations, and delays in product shipments.

(15) External Attacks

To address increasingly diversified and sophisticated cyber-security threats, Fuji Electric established a countermeasure system and a security response organization (CSIRT/SOC) to monitor and suppress any attacks. We are also continuously strengthening our response capabilities —in such areas as defense, detection system reinforcement, and cyber training— to prepare for the emergence of new threats. However, any number of events may have an impact on our business performance and financial position. These include system malfunction and information leakage due to external attacks (such as cyber-terrorism), resulting in loss of social trust.

(16) Individual Event (Impact of COVID-19)

Fuji Electric has established a set of “Contingency Plan” to implement in times of emergency resulting from various risks that may affect its operations. Based on these procedures, we set up the “New Coronavirus Infection Prevention and Business Continuity Promotion Countermeasures Headquarters,” chaired by the president COO, to address the COVID-19 pandemic. The stated policy is to “take prompt and appropriate measures with top priority on respecting human life, preventing the spread of infections, and minimizing damage.” Under this policy, we are collecting and aggregating information related to COVID-19 and taking measures to prevent the spread of infections (for example, enforcing rules, such as hand washing and hand sanitizing; avoiding confined spaces, large gatherings, and close interactions; and asking employees to work from home and staggered work hours), while also emphasizing business continuity. However, we may be forced to suspend various business activities, including production and sales, if infections occur in the workplace or among customers and business partners, which may have an impact on our business performance and financial position.

Consolidated Balance Sheets

As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Assets			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 91,350	¥ 75,332	$ 748,776
Short-term investments (Notes 5, 6 and 7)	1,615	1,213	13,243
Trade receivables (Note 6)	—	319,644	—
Notes receivable-trade (Note 6)	75,521	—	619,030
Accounts receivable-trade (Note 6)	217,731	—	1,784,686
Contract assets	64,088	—	525,315
Allowance for doubtful accounts	(5,121)	(3,897)	(41,978)
Inventories (Note 4)	170,295	183,190	1,395,862
Other current assets	66,502	53,725	545,082
Total Current Assets	681,981	629,207	5,590,016
Property, Plant and Equipment (Note 5)**:**			
Land	35,695	35,537	292,587
Buildings and structures	275,247	259,147	2,256,126
Machinery and equipment	201,219	220,735	1,649,340
Lease assets (Note 20)	95,027	107,292	778,913
Construction in progress	8,635	3,932	70,763
Others	2,432	1,697	19,938
	618,255	628,340	5,067,667
Less accumulated depreciation	(384,580)	(418,582)	(3,152,293)
Net Property, Plant and Equipment	233,675	209,758	1,915,374
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	22,554	19,775	184,876
Other	103,761	116,506	850,504
Long-term loans receivable	817	655	6,703
Net defined benefit asset (Note 2 and 11)	22,516	21,043	184,560
Deferred tax assets (Note 16)	13,286	14,682	108,905
Other investments and other assets (Note 20)	38,990	40,787	319,565
Allowance for doubtful accounts	(468)	(461)	(3,840)
Total Investments and Other Assets	201,456	212,987	1,651,273
Total Assets	¥1,117,112	¥1,051,952	$9,156,663

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars (Note 3) 2022
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5, 6 and 9)	¥ 14,691	¥ 17,601	$ 120,418
Current portion of long-term debt (Notes 5, 6 and 9)	30,293	4,142	248,303
Trade payables (Notes 5 and 6)	171,749	167,260	1,407,782
Lease obligations (Notes 6 and 10)	19,584	18,376	160,527
Advances received	—	35,239	—
Contract liabilities	39,443	—	323,305
Income taxes payable (Note 16)	14,879	18,183	121,967
Provision for product warranties (Note 2)	7,280	15,698	59,674
Other current liabilities (Note 24)	89,050	79,917	729,908
Total Current Liabilities	386,969	356,416	3,171,884
Long-term Liabilities:			
Long-term debt (Notes 5, 6, and 9)	101,276	131,686	830,138
Lease obligations (Notes 6 and 10)	40,978	43,226	335,888
Net defined benefit liability (Notes 2 and 11)	57,590	53,322	472,055
Provision for directors' retirement benefits	94	150	775
Deferred tax liabilities (Note 16)	1,580	1,678	12,956
Other long-term liabilities (Note 24)	4,896	4,220	40,099
Total Long-term Liabilities	206,414	234,282	1,691,911
Total Liabilities	593,383	590,698	4,863,795
Contingent Liabilities (Note 19)**:**			
Net Assets (Note 25)			
Shareholders' Equity:			
Capital stock (Note 12):			
Authorized - 320,000,000 shares			
Issued - 149,296,991 shares as of March 31, 2022	47,586	—	390,050
149,296,991 shares as of March 31, 2021	—	47,586	—
Capital surplus	45,955	46,003	376,681
Retained earnings	319,285	271,772	2,617,096
Treasury stock at cost (Note 12) :			
6,461,058 shares as of March 31, 2022	(7,359)	—	(60,324)
6,457,667 shares as of March 31, 2021	—	(7,340)	—
Total Shareholders' Equity	405,467	358,021	3,323,503
Accumulated Other Comprehensive Income (Loss):			
Valuation difference on available-for-sale securities	51,649	55,761	423,357
Deferred gains or losses on hedges (Notes 6 and 8)	507	322	4,159
Foreign currency translation adjustments	14,170	1,542	116,140
Remeasurements of defined benefit plans	1,107	1,351	9,076
Total Accumulated Other Comprehensive Income	67,433	58,976	552,732
Non-controlling interests	50,829	44,257	416,633
Total Net Assets	523,729	461,254	4,292,868
Total Liabilities and Net Assets	¥1,117,112	¥1,051,952	$9,156,663

Consolidated Statements of Income

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Net Sales	¥910,226	¥875,927	$7,460,873
Cost of Sales (Note 13)	657,790	654,661	5,391,718
Gross Profit	252,436	221,266	2,069,155
Selling, General and Administrative Expenses (Notes 13 and 14)	177,601	172,671	1,455,748
Operating Income	74,835	48,595	613,407
Non-Operating Income (Expenses):			
Interest and dividend income	2,885	2,955	23,650
Interest expense	(1,744)	(1,441)	(14,300)
Provision of allowance for doubtful accounts for subsidiaries and affiliates	(285)	(514)	(2,336)
Provision of allowance for investment loss for subsidiaries and affiliates	—	(442)	—
Foreign exchange gains (losses)	1,288	(379)	10,563
Equity in earnings of affiliates	1,647	1,678	13,508
Other, net	671	(51)	5,489
	4,462	1,806	36,574
Ordinary Income	79,297	50,401	649,981
Extraordinary Income, Net (Note 15)	9,190	12,883	75,324
Income Before Income Taxes	88,487	63,284	725,305
Income Taxes (Note 16)	23,931	17,941	196,163
Net Income	64,556	45,343	529,142
Net Income Attributable To Non-controlling Interests	5,896	3,417	48,319
Net Income Attributable To Owners of Parent (Note 25)	¥ 58,660	¥ 41,926	$ 480,823

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Net Income	¥64,556	¥45,342	$529,142
Other Comprehensive Income (Loss) (Note 17)			
Valuation difference on available-for-sale securities	(4,222)	11,400	(34,615)
Deferred gains or losses on hedges	185	553	1,516
Foreign currency translation adjustments	13,983	5,938	114,639
Remeasurements of defined benefit plans	(37)	4,419	(310)
Share of other comprehensive income (loss) of associates accounted for using equity method	20	(215)	168
Total Other Comprehensive Income	9,929	22,095	81,398
Comprehensive Income	¥74,485	¥67,437	$610,540
Comprehensive Income Attributable to:			
Owners of parent	¥67,118	¥62,796	$550,150
Non-controlling interests	7,367	4,641	60,390

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2022 and 2021

	Thousands	Millions of yen										
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Treasury stock	Total	Non-controlling interests	Total net assets
Balance at March 31, 2020	149,296	¥47,586	¥45,949	¥241,305	¥44,606	¥(231)	¥ (3,544)	¥(2,724)	¥(7,327)	¥365,620	¥40,382	¥406,002
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance	—	47,586	45,949	241,305	44,606	(231)	(3,544)	(2,724)	(7,327)	365,620	40,382	406,002
Net income attributable to owners of parent	—	—	—	41,926	—	—	—	—	—	41,926	—	41,926
Change of scope of consolidation	—	—	—	(33)	—	—	—	—	—	(33)	—	(33)
Cash dividends	—	—	—	(11,426)	—	—	—	—	—	(11,426)	—	(11,426)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(13)	(13)	—	(13)
Sales of treasury stock	—	—	1	—	—	—	—	—	0	1	—	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	53	—	—	—	—	—	—	53	—	53
Net changes of items other than shareholders' equity	—	—	—	—	11,155	553	5,086	4,075	—	20,869	3,875	24,744
Balance at March 31, 2021	149,296	¥47,586	¥46,003	¥271,772	¥55,761	¥ 322	¥ 1,542	¥ 1,351	¥(7,340)	¥416,997	¥44,257	¥461,254
Cumulative effect of changes in accounting policies	—	—	—	1,708	—	—	—	—	—	1,708	—	1,708
Restated balance	—	47,586	46,003	273,480	55,761	322	1,542	1,351	(7,340)	418,705	44,257	462,962
Net income attributable to owners of parent	—	—	—	58,660	—	—	—	—	—	58,660	—	58,660
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	(12,855)	—	—	—	—	—	(12,855)	—	(12,855)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(19)	(19)	—	(19)
Sales of treasury stock	—	—	0	—	—	—	—	—	0	0	—	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(48)	—	—	—	—	—	—	(48)	—	(48)
Net changes of items other than shareholders' equity	—	—	—	—	(4,112)	185	12,628	(244)	—	8,457	6,572	15,029
Balance at March 31, 2022	**149,296**	**¥47,586**	**¥45,955**	**¥319,285**	**¥51,649**	**¥ 507**	**¥ 14,170**	**¥ 1,107**	**¥(7,359)**	**¥472,900**	**¥50,829**	**¥523,729**
		Thousands of U.S. dollars (Note 3)										
Balance at March 31, 2021	149,296	$390,050	$377,080	$2,227,642	$457,062	$2,643	$ 12,620	$11,080	$(60,169)	$3,418,008	$362,768	$3,780,776
Cumulative effect of changes in accounting policies	—	—	—	14,004	—	—	—	—	—	14,004	—	14,004
Restated balance	—	390,050	377,080	2,241,646	457,062	2,643	12,620	11,080	(60,169)	3,432,012	362,768	3,794,780
Net income attributable to owners of parent	—	—	—	480,823	—	—	—	—	—	480,823	—	480,823
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	(105,373)	—	—	—	—	—	(105,373)	—	(105,373)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(156)	(156)	—	(156)
Sales of treasury stock	—	—	4	—	—	—	—	—	1	5	—	5
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(403)	—	—	—	—	—	—	(403)	—	(403)
Net changes of items other than shareholders' equity	—	—	—	—	(33,705)	1,516	103,520	(2,004)	—	69,327	53,865	123,192
Balance at March 31, 2022	**149,296**	**$390,050**	**$376,681**	**$2,617,096**	**$423,357**	**$4,159**	**$116,140**	**$ 9,076**	**$(60,324)**	**$3,876,235**	**$416,633**	**$4,292,868**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Cash Flows from Operating Activities:			
Income before income taxes	¥ 88,487	¥63,284	$725,305
Depreciation and amortization	39,969	36,194	327,617
Increase in allowance for doubtful accounts	1,006	1,268	8,248
Decrease (increase) in provision for product warranties	(8,711)	15,478	(71,406)
Interest and dividend income	(2,885)	(2,955)	(23,650)
Interest expense	1,744	1,441	14,300
Foreign exchange losses	(226)	204	(1,860)
Gain on sales of noncurrent assets	(179)	(280)	(1,469)
Gain on sales of investment securities	(10,359)	(40,864)	(84,914)
Loss on disposal of noncurrent assets	632	552	5,186
Loss on devaluation of investment securities	239	1,018	1,963
Factory integration expenses	335	—	2,748
Loss on withdrawal from business	141	—	1,163
Impairment loss	—	963	—
Changes in operating assets and liabilities:			
Trade receivables	—	(20,852)	—
Trade receivables and contract assets	(749)	—	(6,140)
Inventories	(5,707)	7,513	(46,786)
Trade payables	(2,623)	(15,881)	(21,507)
Advances received	—	(12,185)	—
Contract liabilities	9,339	—	76,556
Other, net	(9,624)	864	(78,880)
Cash generated from operations	100,829	35,762	826,474
Interest and dividends received	2,847	2,959	23,341
Interest expenses paid	(1,738)	(1,416)	(14,251)
Income taxes paid	(25,129)	(10,374)	(205,981)
Net cash provided by operating activities	76,809	26,931	629,583
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(33,047)	(20,578)	(270,882)
Proceeds from sales of property, plant and equipment	3,762	622	30,844
Purchase of investment securities	(1,909)	(28)	(15,655)
Proceeds from sales of investment securities	17,408	49,230	142,694
Payments of loans receivable	(11,146)	(3,418)	(91,366)
Collection of loans receivable	7,324	2,802	60,035
Other, net	(4,742)	(5,153)	(38,874)
Net cash used in (provided by) investing activities	(22,350)	23,477	(183,204)
Cash Flows from Financing Activities:			
Net decrease in short-term loans payable	(3,592)	(54,178)	(29,449)
Proceeds from long-term loans payable	—	62,165	—
Repayment of long-term loans payable	(4,405)	(2,156)	(36,108)
Redemption of bonds	—	(15,000)	—
Repayments of lease obligations	(20,551)	(17,882)	(168,451)
Proceeds from sales of treasury stock	0	1	5
Purchase of treasury stock	(19)	(13)	(156)
Cash dividends paid	(12,855)	(11,426)	(105,373)
Cash dividends paid to non-controlling interests	(1,308)	(1,134)	(10,724)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(163)	—	(1,337)
Proceeds from share issuance to non-controlling shareholders	—	105	—
Other, net	(1)	—	2
Net cash used in financing activities	(42,894)	(39,518)	(351,591)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,453	680	36,505
Net Increase in Cash and Cash Equivalents	16,018	11,570	131,293
Cash and Cash Equivalents at Beginning of Year	75,332	63,746	617,483
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	—	16	—
Cash and Cash Equivalents at End of Year	¥ 91,350	¥75,332	$748,776

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2022 include the accounts of the Company and its 71 significant subsidiaries and its 4 subsidiaries and affiliates are accounted for by the equity method (74 and 4 in 2021).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31 or January 31. In principle, the financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

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 subsidiaries.

Goodwill resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 or 10 years.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Other securities

Securities with quoted market price are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Securities with no quoted market price are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraphs b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are accounted for allocation treatment ("Furiate shori") where these receivables and payables are translated at the contracted rate if the forward contracts qualify for hedge accounting.

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998 and the facilities attached to buildings and the other non-building structures acquired after April 1, 2016. The range of useful lives is from 15 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, provision for directors' retirement benefits were provided mainly at an amount to be required at the year-end according to internal regulations.

i. Provision for product warranties

To prepare for potential warranty costs, provision for product warranties is recorded based on the past occurrence of the defects and expected specific events.

j. Retirement Benefits

(1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

(2) Prior service costs are amortized by the straight-line method within the average remaining years of service of the employee participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

k. Research and Development Costs

Research and development costs are charged to income as incurred.

l. Recognition for Revenue and Costs

In accordance with the following five-step approach, the Companies recognize a transfer of a promised good or service to a customer as revenue in an amount which reflects the consideration expected to be entitled in exchange for the good or service.

Step 1: Identify the contract (s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the Companies satisfies a performance obligation

The Companies are engaged in a wide range of business activities, such as product development, production, sales, and services. The details of the main performance obligations related to revenues from the contracts with the customers in the main business and the normal time points to satisfy the performance obligations (normal time points to recognize revenues) are as follows.

(1) Sales of standard products

For the performance obligation, control of goods is transferred to a customer at a point in time.

For domestic sales, the Companies recognize revenue upon shipment because the period from shipment to transfer of control of goods to customer is the normal period. (Application of shipping standards) For domestic sales which do not apply shipping standards, the Companies recognize revenue upon delivery of goods to a customer.

For export transactions, the Companies recognize revenue upon delivery of goods to customer specified in trade terms.

(2) Sales of job-order production goods, contract works and rendering of services

For the performance obligation, the Companies apply the method that revenues is recognized over time by measuring progress toward complete satisfaction of performance obligations (the cost-based input method is used in measuring the progress). The progress toward complete satisfaction of performance obligations is determined based on the ratio of costs incurred to the end of the fiscal year to the estimate of the total cost of the contract. In the case that progress cannot be reasonably estimated, the Companies recognize revenue under the cost recovery method only to the extent of the costs incurred that are expected to be recovered. For maintenance contracts, etc., in which services are rendered to customers evenly over the contract period, the Companies recognize revenue on a straight-line basis over the contract period. When an invoiced amount (right to invoice) directly corresponds to the consideration amount for the satisfied performance obligation, the Companies recognize revenue by the amount in which the invoice is entitled. Regarding estimates of progress toward complete satisfaction of performance obligations, the Companies apply a method that appropriately reflects the transfer of control and consistently apply it to similar performance obligations. In addition, the progress toward complete satisfaction of performance obligations is appropriately reviewed at the end of the fiscal year.

m. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries as a separate component of net assets.

p. Applying tax effect accounting for the transition from Consolidated Taxation System to Group Tax Sharing System

Fuji electric and some domestic consolidated subsidiaries expect to transfer from the "Consolidated Taxation System" to the "Group Tax Sharing System" from the subsequent fiscal year. However, regarding the transition to the group tax sharing system, established under the "Law that partially amends the Income Tax Law" (Law No. 8 issued on 2020), and the revised items of the Non-consolidated Tax Return Filing System in relation to the transition, the Companies did not apply the "Implementation Guidance on Tax Effect Accounting" (Accounting Standard Board of Japan ("ASBJ") statement No.28 issued on February 16, 2018) paragraph 44, in accordance with "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Solution No. 39 issued on March 31, 2020) paragraph 3. Therefore, the amount of deferred tax assets and deferred tax liabilities were based on the tax law before the revision.

From the beginning of the subsequent fiscal year, the Companies expect to adopt the "Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42 issued on August 12, 2021), which stipulates treatments for corporate income tax, local corporate income tax, and tax effect accounting when applying the "Group Tax Sharing System."

q. Amounts Per Share

Basic net income per share is computed based on the net income attributable to common shareholders of the parent and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income attributable to owners of parent's common stock and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

r. Accounting Standard for Disclosure of Accounting Estimates

1. Revenues recognized over time by measuring progress toward complete satisfaction of performance obligations

(1) Amounts recorded for the year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Sales	¥94,957	¥66,897	$778,343
Ending balance of contract assets (construction contract receivable for the previous fiscal year)	46,349	30,754	379,917

Note: The above amounts represent unfinished, undelivered, or imcomplete contracts of job-order production goods, contract works and rendering of services, which recognize revenues over time by measuring progress toward complete satisfaction of performance obligations, as of the end of the current fiscal year. (Contracts which have satisfied the all performance obligations are not included. In addition, contracts in which revenues are recognized under the cost recovery method, which recognizes revenue only to the extent of the costs incurred expected to be recovered in the case that progress cannot be reasonably estimated, are not included.)

(2) Supplemental information for understanding the consolidated financial statements

a. Calculation method

For construction contracts, the Companies apply the method that revenue is recognized over time by measuring progress toward complete satisfaction of performance obligations (the cost-based input method is used in measuring the progress). The progress toward complete satisfaction of performance obligations is determined based on the ratio of costs incurred to the end of the fiscal year to the estimation of the total cost of the contract.

b. Key assumption

The estimates of total costs are calculated by aggregating objective prices such as third party quotations and internally approved standard unit prices. However, the estimates of total costs are the key assumption because the Companies also rely on their specialized knowledge of and experience in construction contract.

c. Effect on the subsequent fiscal year

Since construction contracts are, in general, long-term contracts, construction contracts may potentially be modified and there may be fluctuations in material, labor, and other such costs while construction contracts are still in progress. Corresponding to changes in the estimates of total costs, progress rates change and the amount of revenue to be recognized in the subsequent fiscal year may be affected.

2. Calculation of defined benefit obligation

(1) Amounts recorded for the year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Net defined benefit asset	¥22,516	¥21,043	$184,560
Net defined benefit liability	57,590	53,322	472,055
Remeasurements of defined benefit plans	1,107	1,351	9,076

(2) Supplemental information for understanding the financial statements

a. Calculation method

The Companies primarily apply defined benefit plans. Defined benefit obligation for defined benefit plans is estimated by payment calculation standard, based on discount rates and actuarial assumptions, such as mortality rates, retirement rates, salary inflation etc.

b. Key assumption

Discount rates are calculated by the yield curve equivalent approach primarily based on high quality corporate bonds.

c. Effect on the subsequent fiscal year

In the case that it is necessary to review discount rates, which are used to calculate defined benefit obligation, net defined benefit asset, net defined benefit liability, and remeasurements of defined benefit plans for the subsequent fiscal year may be affected.

Note: About the effects of novel coronavirus (COVID-19) pandemic
The novel coronavirus (COVID-19) pandemic has restricted economic activity on an unprecedented scale in many countries. Due to the tough situation, the Companies are facing problems such as extensions of delivery and capital investment cutbacks. Since it is very difficult to predict how long it will spread and when it will end, the Companies make accounting estimations based on the information available at the end of the consolidated fiscal year and the assumption that the condition will continue for a certain period of the next consolidated fiscal year.

s. Change in accounting policy

1. Application of "Accounting Standard for Revenue Recognition," etc.

From the beginning of the current fiscal year, the Companies applied "Accounting Standard for Revenue Recognition" (ASBJ statement No. 29 issued on March 31, 2020), etc. Under these standards, the Companies recognize revenue as 'the amount expected to be received in exchange for goods or services' when control of the promised goods or services are transferred to a customer. The main changes due to the application of "Accounting Standard for Revenue Recognition," etc. are as follows:

(1) Performance obligations to be satisfied over time

Regarding to construction contracts for which the Companies had previously applied the percentage of completion method, the Companies changed the revenue recognition method for the contracts which satisfy performance obligations over time. Under the new method, if the progress toward complete satisfaction of performance obligations can be reasonably estimated, the Companies recognize revenue based on the ratio of costs incurred to the estimate of the total cost. If the progress toward complete satisfaction of performance obligations cannot be reasonably estimated, the Companies recognize revenue, under the cost recovery method, only to the extent of the costs incurred which are expected to be recovered.

(2) Agent transactions

Regarding to agent transactions for which the Companies had previously recognized revenue with the gross amount, the Companies changed to recognize revenue with the net amount.

Regarding the application of the "Accounting Standard for Revenue Recognition," etc., in accordance with the transitional treatment stipulated in the proviso of paragraph 84 of the "Accounting Standard for Revenue Recognition," the cumulative impact of retroactive application of new accounting policies prior to the beginning of the current fiscal year is added or subtracted from retained earnings at the beginning of the current fiscal year. However, in accordance with the paragraph 86 of the "Accounting Standard for Revenue Recognition," contracts from which almost all revenue was recognized under the prior accounting policy did not retrospectively apply the new accounting policy. In addition, in accordance with the proviso 1 of paragraph 86 of the "Accounting Standard for Revenue Recognition," contract changes made before the beginning of the current fiscal year were accounted for based on the contract conditions after reflecting all contract changes and the cumulative impact is added or subtracted from retained earnings at the beginning of the current fiscal year.

As a result, compared to before the application of the "Accounting Standard for Revenue Recognition," etc., net sales decreased by ¥2,065 million ($16,933 thousand), with the cost of sales decreasing by ¥1,377 million ($11,293 thousand), selling, general and administrative expenses decreasing by ¥184 million ($1,512 thousand), operating income decreasing by ¥503 million ($4,128 thousand) and ordinary income and income before income taxes decreasing by ¥377 million ($3,094 thousand). In addition, reflecting the cumulative impact of the application, the beginning balance of retained earnings increased by ¥1,708 million ($14,004 thousand).

Due to the application of the "Accounting Standard for Revenue Recognition," etc., "Trade receivables" stated in the current assets for the previous year is separately classified as "Notes receivable-trade," "Accounts receivable-trade" and "Contract assets" from the current fiscal year. "Advances received" stated in the current liabilities in the previous year is included in "Contract liabilities" from the current fiscal year. The effect on amounts per share information is stated in "Note 25. Amounts Per Share." In accordance with the transitional treatment stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition," notes related to the "Revenue Recognition" for the previous fiscal year are not stated.

2. Application of "Accounting Standard for Fair Value Measurement," etc.

From the beginning of the current fiscal year, the Companies applied the "Accounting Standard for Fair Value Measurement" (ASBJ statement No. 30 issued on July 4, 2019). In accordance with the transitional treatment stipulated in paragraph 19 of the "Accounting Standard for Fair Value Measurement" and the "Accounting Standard for Financial Instruments" (ASBJ statement No. 10 issued on July 4, 2019) paragraph 44-2, the new accounting policy stipulated by "Accounting Standard for Fair Value Measurement," etc. will be applied in the future. The application does not affect the consolidated financial statements. Regarding to the note to financial instruments, fair values of financial instruments by levels are stated. However, in accordance with the transitional treatment stipulated in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments." (ASBJ statement No. 19 issued on July 4, 2019), notes related to the previous fiscal year are not stated.

Note 3. U.S. dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥122=U.S.$1, the approximate exchange rate as of March 31, 2022. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Merchandise and finished goods	¥ 55,051	¥ 66,319	$ 451,243
Work in process	51,827	65,023	424,816
Raw materials	63,417	51,848	519,803
Inventories	¥170,295	¥183,190	$1,395,862

Losses on valuation of inventories with lower profitability were ¥71 million ($584 thousand) and ¥50 million for the years ended March 31, 2022 and 2021, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Investment securities	¥ 17	¥ 21	$ 146
Property, plant and equipment	443	585	3,627
Intangible assets	—	379	—
Total	¥ 460	¥ 985	$3,773

Collateralized liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Trade payables	¥ 78	¥ 37	$ 643
Short-term debt	153	479	1,254
Total	¥ 231	¥ 516	$1,897

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relation and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 15 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation and exchange risk.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters

Since variable factors are taken into account in computing the fair value of financial instruments, the price is may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2022 and 2021, estimated fair value and the variance between them are shown in the following table.

	Millions of yen		
	2022		
	Carrying amounts	Fair value	Variance
Accounts receivable-trade	¥217,731	¥217,702	¥ (29)
Investment securities	110,217	121,365	11,148
Bonds	(35,000)	(34,851)	(149)
Long-term debt	(66,276)	(66,264)	(12)
Lease obligations	(60,562)	(60,908)	346
Derivatives			
Derivative transactions to which hedge accounting is not applied	(150)	(150)	—
Derivative transactions to which hedge accounting is applied	731	731	—

Note: The following securities with no quoted market price are not included in the "Investment securities."

	Millions of yen
	2022
	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥16,098

	Millions of yen		
	2021		
	Carrying amounts	Fair value	Variance
Accounts receivable-trade	¥260,141	¥260,108	¥ (33)
Investment securities	122,284	136,587	14,303
Bonds	(35,000)	(34,925)	75
Long-term debt	(96,686)	(96,859)	(173)
Lease obligations	(61,602)	(62,121)	519
Derivatives			
Derivative transactions to which hedge accounting is not applied	(200)	(200)	—
Derivative transactions to which hedge accounting is applied	464	464	—

Note: The following financial instruments are not included in "Investment securities" because they do not have a market price and obtaining an estimated fair value is deemed to be extremely difficult.

	Millions of yen
	2021
	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥13,997

	Thousands of U.S. dollars (Note 3)		
	2022		
	Carrying amounts	Fair value	Variance
Accounts receivable-trade	$1,784,686	$1,784,446	$ (240)
Investment securities	903,424	994,796	91,372
Bonds	(286,885)	(285,664)	(1,221)
Long-term debt	(543,253)	(543,155)	(98)
Lease obligations	(496,414)	(499,251)	2,837
Derivatives			
Derivative transactions to which hedge accounting is not applied	(1,232)	(1,232)	—
Derivative transactions to which hedge accounting is applied	5,995	5,995	—

Note: The following securities with no quoted market price are not included in the "Investment securities."

	Thousands of U.S. dollars (Note 3)
	2022
	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	$131,955

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.
(*3) Since Cash and cash equivalents, Notes receivable-trade, Trade payables, and Short-term debt are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

Note 1: Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2022 and 2021:

	Millions of yen			
	2022			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 91,350	¥ —	¥ —	¥ —
Notes receivable-trade	75,521	—	—	—
Accounts receivable-trade	215,671	1,579	482	—
Total	¥382,542	¥ 1,579	¥ 482	¥ —

	Millions of yen			
	2021			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 75,332	¥ —	¥ —	¥ —
Trade receivables	313,253	5,920	470	—
Total	¥388,585	¥ 5,920	¥ 470	¥ —

	Thousands of U.S. dollars (Note 3)			
	2022			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	$ 748,776	$ —	$ —	$ —
Notes receivable-trade	619,030	—	—	—
Accounts receivable-trade	1,767,787	12,944	3,954	—
Total	$ 3,135,593	$ 12,944	$ 3,954	$ —

Note 2:Repayment schedule for long-term debt and lease obligations:
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

3. Fair value of financial instruments by levels

Financial instruments measured at fair value are classified into the following three levels based on the observability and significance of inputs used to measure such financial instruments.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement .

(1) Financial instruments measured at fair value on the consolidated balance sheets

	Millions of yen			
	2022			
	Fair value			
Class of financial instrument	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥99,698	¥ —	¥ —	¥99,698
Total financial assets at fair value	¥99,698	¥ —	¥ —	¥99,698
Derivatives				
Currency derivatives	¥ —	¥ 581	¥ —	¥ 581
Total derivatives at fair value	¥ —	¥ 581	¥ —	¥ 581

	Thousands of U.S. dollars (Note 3)			
	2022			
	Fair value			
Class of financial instrument	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	$817,202	$ —	$ —	$817,202
Total financial assets at fair value	$817,202	$ —	$ —	$817,202
Derivatives				
Currency derivatives	$ —	$ 4,763	$ —	$ 4,763
Total derivatives at fair value	$ —	$ 4,763	$ —	$ 4,763

Note: The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

(2) Financial instruments other than those measured at fair value on the consolidated balance sheets

	Millions of yen			
	2022			
	Fair value			
Class of financial instrument	Level 1	Level 2	Level 3	Total
Accounts receivable-trade	¥ —	¥217,702	¥ —	¥217,702
Investment securities				
Unconsolidated subsidiaries and affiliates				
Shares of Affiliates	21,666	—	—	21,666
Total financial assets at fair value	¥21,666	¥217,702	¥ —	¥239,368
Bonds	¥ —	¥ 34,851	¥ —	¥ 34,851
Long-term debt	—	66,264	—	66,264
Lease obligations	—	60,909	—	60,909
Total financial liabilities at fair value	¥ —	¥162,024	¥ —	¥162,024

	Thousands of U.S. dollars (Note 3)			
	2022			
	Fair value			
Class of financial instrument	Level 1	Level 2	Level 3	Total
Accounts receivable-trade	$ —	$1,784,446	$ —	$1,784,446
Investment securities				
Unconsolidated subsidiaries and affiliates				
Shares of Affiliates	177,594	—	—	177,594
Total financial assets at fair value	$177,594	$1,784,446	$ —	$1,962,040
Bonds	$ —	$ 285,664	$ —	$ 285,664
Long-term debt	—	543,155	—	543,155
Lease obligations	—	499,251	—	499,251
Total financial liabilities at fair value	$ —	$1,328,070	$ —	$1,328,070

Notes: Measurement method and description of inputs for fair value for financial instruments

(1) Investment securities

The fair value of listed stocks is based on the quoted price. Since listed stocks are traded in active markets, the fair value is classified as Level 1.

(2) Derivatives

The fair values of foreign currency forward contracts and commodity swap contracts are based on the the prices provided by financial institutions and the fair value is classified as Level 2. In addition, since foreign currency forward contracts under the allocation method are treated together with accounts receivable-trade, contract assets and accounts payable-trade the fair value of such contracts is included in the fair value of the accounts.

(3) Accounts receivable-trade

The fair values of accounts receivable-trade, classified by each maturity, is based on the present value discounted by the interest rate that takes into account the maturity and the credit risk. The fair value is classified as Level 2.

(4) Bonds

The fair value of listed stocks is based on the quoted price provided by the Japan Securities Dealers Association. Since the quoted price is not in active markets, the fair value is classified as Level 2.

(5) Long-term debt (except bonds) and (6) Lease obligations

Fair values of long-term debt and lease obligations are based on the present value of the total principal and interest discounted by the interest rate that takes into account the maturity and the credit risk. The fair value is classified as Level 2.

Note 7. Securities

1. Other securities as of March 31, 2022 and 2021 were as follows:

	Millions of yen			
	2022			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥24,726	¥99,698	¥75,961	¥ (989)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥24,726	¥99,698	¥75,961	¥ (989)

Note: Securities with no quoted market price is not included in the preceding tables:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2022 was ¥4,062 million.)

	Millions of yen			
	2021			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥31,558	¥112,491	¥81,413	¥ (480)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥31,558	¥112,491	¥81,413	¥ (480)

Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2021 was ¥4,015 million.)

	Thousands of U.S. dollars (Note 3)			
	2022			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$202,676	$817,202	$622,634	$ (8,108)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	$202,676	$817,202	$622,634	$ (8,108)

Note: Securities with no quoted market price is not included in the preceding tables:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2022 was $33,302 thousand.)

2. Sales of other securities for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Proceeds from sales	¥16,388	¥49,224	$134,333
Gain on sales	9,627	40,864	78,913
Loss on sales	(21)	(0)	(172)

3. Impairment of other securities for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Impairment losses	¥ 239	¥1,018	$1,963

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2022			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥ 678	¥ —	¥ (35)	¥ (35)
Euro	1,787	—	(77)	(77)
Won	286	—	(12)	(12)
Payables:				
U.S. dollar	259	—	6	6
Yen	1,956	—	(34)	(34)
Australia Dollar	27	—	2	2
Total	¥4,993	¥ —	¥(150)	¥(150)

	Millions of yen			
	2021			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥1,013	¥ —	¥ (50)	¥ (50)
Euro	1,882	—	(70)	(70)
Won	340	—	(10)	(10)
Yuan Renminbi	2,302	—	(48)	(48)
Payables:				
U.S. dollar	1,445	—	16	16
Yen	1,933	—	(39)	(39)
Singapore Dollar	9	—	0	0
Yuan Renminbi	111	—	1	1
Total	¥9,035	¥ —	¥(200)	¥(200)

	Thousands of U.S. dollars (Note 3)			
	2022			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	$ 5,546	$ —	$ (278)	$ (278)
Euro	14,648	—	(636)	(636)
Won	2,345	—	(104)	(104)
Payables:				
U.S. dollar	2,127	—	54	54
Yen	16,040	—	(285)	(285)
Australia Dollar	222	—	17	17
Total	$40,928	$ —	$(1,232)	$(1,232)

2. Derivative transactions to which hedge accounting is applied

Currency-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2022 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. dollar		¥ 993	¥ —	¥ (4)
	Euro		2,910	—	(10)
	Payables:	Accounts payable-trade			
	U.S. dollar		2,323	—	183
	Euro		4,127	2,353	560
	Australia Dollar		0	—	0
	Baht		23	—	2
Allocation method	Foreign currency forward contracts:				(Note2)
	Receivables:	Accounts receivable-trade			
	U.S. dollar		¥ 189	¥ —	
	Euro		70	—	
	Yuan Renminbi		213	—	
	Baht		515	—	
	Singapore Dollar		85	—	
	Payables:	Accounts payable-trade			
	U.S. dollar		621	—	
	Euro		0	—	
	Yen		85	—	
	Total		¥12,154	¥2,353	¥ 731

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2021 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. dollar		¥ 634	¥ 215	¥ (46)
	Euro		2,023	—	(10)
	Baht		38	—	(3)
	Payables:	Accounts payable-trade			
	U.S. dollar		157	—	7
	Euro		5,216	3,710	516
	Singapore Dollar		2	—	0
Allocation method	Foreign currency forward contracts:				(Note2)
	Receivables:	Accounts receivable-trade			
	U.S. dollar		¥ 244	¥ —	
	Euro		88	—	
	Yuan Renminbi		132	—	
	Baht		108	—	
	Singapore Dollar		833	—	
	Payables:	Accounts payable-trade			
	U.S. dollar		6	—	
	Yen		833	—	
	Total		¥10,314	¥3,925	¥ 464

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2022 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. dollar		$ 8,091	$ —	$ (38)
	Euro		23,853	—	(83)
	Payables:	Accounts payable-trade			
	U.S. dollar		19,042	—	1,505
	Euro		33,834	19,291	4,592
	Australia Dollar		1	—	0
	Baht		196	—	19
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. dollar		$ 1,552	$ —	(Note2)
	Euro		578	—	
	Yuan Renminbi		1,751	—	
	Baht		4,225	—	
	Singapore Dollar		703	—	
	Payables:	Accounts payable-trade			
	U.S. dollar		5,097	—	
	Euro		4	—	
	Yen		703	—	
	Total		$99,630	$19,291	$5,995

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Loans, principally from banks	¥14,691	¥17,601	$120,418
Commercial paper	—	—	—
Short-term debt	¥14,691	¥17,601	$120,418

Note: The weighted average interest rates on short-term debt as of March 31, 2022 and 2021 were 1.92% and 1.26%, respectively.

Long-term debt as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Loans, principally from banks and insurance companies	¥ 96,569	¥100,828	$ 791,556
Bonds issued by the Company:			
0.28% Yen unsecured straight bonds due August 31, 2023	15,000	15,000	122,951
0.40% Yen unsecured straight bonds due May 21, 2027	10,000	10,000	81,967
0.40% Yen unsecured straight bonds due May 25, 2028	10,000	10,000	81,967
	131,569	135,828	1,078,441
Less: Portion due within one year	30,293	4,142	248,303
Long-term debt	¥101,276	¥131,686	$ 830,138

Note: The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2022 and 2021 were 0.26% and 0.26%, respectively.

As of March 31, 2022, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2024	¥ 52,676	$431,777
2025	28,500	233,607
2026	100	820
2027	—	—
2028 thereafter	20,000	163,934
Total	¥101,276	$830,138

Note 10. Lease Obligations

Lease obligations as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Short-term	¥19,584	¥18,376	$160,527
Long-term	40,978	43,226	335,888
Total	¥60,562	¥61,602	$496,415

Note: The weighted average interest rates on lease obligations as of March 31, 2022 and 2021 were 2.01% and 2.07%, respectively.

As of March 31, 2022, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2024	¥14,817	$121,452
2025	11,046	90,543
2026	7,713	63,223
2027	5,093	41,749
2028 thereafter	2,309	18,921
Total	¥40,978	$335,888

Note 11. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense. Certain domestic consolidated subsidiaries have multi-employer corporate pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit pension plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Retirement benefit obligation at the beginning of the year	¥173,241	176,192	$1,420,015
Service cost	3,374	3,115	27,662
Interest cost	2,331	2,349	19,113
Actuarial loss	295	2,529	2,422
Retirement benefits paid	(11,826)	(11,408)	(96,937)
Prior service cost	1,709	(109)	14,015
Deference arising from the change from simplified method to principle method	—	533	—
Others	28	40	205
Retirement benefit obligation at the end of the year	¥169,152	¥173,241	$1,386,495

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Plan assets at fair value at the beginning of the year	¥143,162	¥143,405	$1,173,466
Expected return on plan assets	2,074	2,009	17,001
Actuarial gain	1,241	7,226	10,178
Contributions by the Companies	627	665	5,142
Retirement benefits paid	(10,689)	(10,710)	(87,622)
Deference arising from the change from simplified method to principle method	—	562	—
Others	5	5	39
Plan assets at fair value at the end of the year	¥136,420	¥143,162	$1,118,204

(3) The changes in defined benefit liability and asset calculated by a simplified method during the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Retirement benefit obligation at the beginning of the year	¥2,211	¥2,140	$18,128
Defined benefit asset at the beginning of the year	(10)	—	(90)
Retirement benefit expenses	324	192	2,657
Retirement benefits paid	(229)	(84)	(1,885)
Contributions	(36)	(86)	(303)
Deference arising from the change from simplified method to principle method	—	22	—
Others	83	17	698
Defined benefit liability at the end of the year	¥2,447	¥2,211	$20,064
Defined benefit asset at the end of the year	¥ (104)	¥ (10)	$ (859)

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in consolidated balance sheet were outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Funded retirement benefit obligation	¥164,259	¥171,106	$1,346,389
Plan assets at fair value	(138,328)	(146,055)	(1,133,835)
	25,931	25,051	212,553
Unfunded retirement benefit obligation	9,143	7,228	74,943
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 35,074	¥ 32,279	$ 287,496
Net defined benefit liability	57,590	53,322	472,055
Net defined benefit asset	(22,516)	(21,043)	(184,559)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 35,074	¥ 32,279	$ 287,496

Note : Pension plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Service cost	¥3,374	¥3,115	$27,662
Interest cost	2,331	2,349	19,113
Expected return on plan assets	(2,074)	(2,009)	(17,001)
Amortization of actuarial loss	1,475	2,418	12,094
Amortization of prior service cost	(774)	(833)	(6,351)
Retirement benefit expenses calculated by simplified method	324	192	2,657
Deference arising from the change from simplified method to principle method	—	(6)	—
Others	325	92	2,657
Retirement benefit expenses	¥4,981	¥5,318	$40,831

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Prior service cost	¥ 2,484	¥ 723	$ 20,366
Actuarial gain and loss	(2,404)	(7,111)	(19,705)
Total	¥ 80	¥ (6,388)	$ 661

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Unrecognized prior service cost	¥ (3,270)	¥ (5,755)	$ (26,811)
Unrecognized actuarial gain and loss	571	2,975	4,680
Total	¥ (2,699)	¥ (2,780)	$ (22,131)

(8) The breakdown of plan assets by major category as of March 31, 2022 and 2021 were as follows:

	2022	2021
Debt securities	36%	37%
Deposit	21	22
Equity securities	19	19
General accounts at life insurance companies	23	22
Others	1	0
Total	100%	100%

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 9% of total amount of plan assets as of March 31, 2022 and 9% of total amount of plan assets as of March 31, 2021.

The long-term expected rates of return on plan assets has been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(9) The assumptions used in accounting for the defined benefit plans as of March 31, 2022 and 2021 were as follows:

	2022	2021
Discount rates	**0.27% – 1.40%**	0.27% – 1.40%
Long-term expected rates of return on plan assets	**mainly 2.0%**	mainly 2.0%
Expected rates of salary increase	**0.0% – 5.1%**	0.0% – 5.1%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the years ended March 31, 2022 and 2021 were ¥4,786 million ($39,235 thousand) and ¥4,819 million, respectively.

4. Information on multi-employer pension plans

Contributions to multi-employer welfare pension plans accounted for by the same methods used for defined contributions plans for the years ended March 31, 2022 and 2021 were ¥14 million ($122 thousand) and ¥15 million, respectively.

Note 12. Shareholders' Equity

1. Shares issued and outstanding / Treasury stock

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2022 and 2021 were as follows:

	Thousands of shares			
	March 31, 2021	Increase in the year	Decrease in the year	March 31, 2022
Shares outstanding:				
Common stock	**149,296**	**—**	**—**	**149,296**
Total	**149,296**	**—**	**—**	**149,296**
Treasury stock:				
Common stock	**6,457**	**3**	**0**	**6,461**
Total	**6,457**	**3**	**0**	**6,461**

	Thousands of shares			
	March 31, 2020	Increase in the year	Decrease in the year	March 31, 2021
Shares outstanding:				
Common stock	149,296	—	—	149,296
Total	149,296	—	—	149,296
Treasury stock:				
Common stock	6,454	3	0	6,457
Total	6,454	3	0	6,457

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at the request of shareholders who own less than one voting unit for the years ended March 31, 2022 and 2021.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2021	Common stock	**¥6,427**	**$52,686**	**¥45.0**	**$0.37**	March 31, 2021	June 9, 2021
Meeting of the Board of Directors on October 28, 2021	Common stock	**6,427**	**52,686**	**45.0**	**0.37**	September 30, 2021	December 2, 2021

For the year ended March 31, 2021

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 29, 2020	Common stock	¥5,713	¥40.0	March 31, 2020	June 29, 2020
Meeting of the Board of Directors on October 29, 2020	Common stock	5,713	40.0	September 30, 2020	December 1, 2020

(2) Dividends with the cut-off date in the year ended March 31, 2022 and effective date in the year ending March 31, 2023

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2022	Common stock	¥7,855	$64,393	Retained Earnings	¥55.0	$0.45	March 31, 2022	June 8, 2022

Dividends with the cut-off date in the year ended March 31, 2021 and effective date in the year ended March 31, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2021	Common stock	¥6,427	Retained Earnings	¥45.0	March 31, 2021	June 9, 2021

Note 13. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Research and development costs	¥33,756	¥33,562	$276,693

Note 14. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Salaries and wages	¥83,890	¥82,860	$687,625
Retirement benefit expenses	4,512	4,845	36,989
Research and development costs	29,416	29,452	241,121

Note 15. Extraordinary Income, Net

Extraordinary income, net, for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Extraordinary income			
Gain on sales of noncurrent assets	¥ 179	¥ 280	$ 1,469
Gain on sales of investment securities	10,358	40,864	84,915
Extraordinary loss			
Loss on disposal of noncurrent assets	(632)	(552)	(5,186)
Loss on devaluation of investment securities	(239)	(1,019)	(1,963)
Factory integration expenses	(335)	—	(2,748)
Loss on withdrawal from business	(141)	—	(1,163)
Impairment loss	—	(963)	—
Costs of corrective measures for product defects	—	(25,727)	—
Extraordinary income (loss), net	¥ 9,190	¥12,883	$75,324

Note: The costs of corrective measures in response to defects in certain power semiconductors for certain customers.

Note 16. Income Taxes

1. The components of income taxes for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Current	¥21,846	¥21,423	$179,066
Deferred	2,085	(3,482)	17,097
Income taxes	¥23,931	¥17,941	$196,163

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

2. The significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Deferred tax assets			
Net defined benefit liability	¥ 20,003	¥ 19,979	$ 163,960
Inventories	8,272	7,728	67,808
Accrued employees' bonuses	7,583	6,919	62,161
Investment securities	6,735	6,814	55,211
Tangible fixed assets	2,147	1,937	17,605
The investment deduction of the foreign consolidated subsidiaries	—	11,893	—
Other	8,857	12,537	72,581
Gross deferred tax assets	53,597	67,807	439,326
Less: Valuation allowance	(9,107)	(21,409)	(74,652)
Total deferred tax assets	44,490	46,398	364,674
Deferred tax liabilities			
Unrealized gain on other securities	(23,444)	(25,125)	(192,170)
Investment securities	(1,342)	(1,358)	(11,007)
Other	(7,998)	(6,911)	(65,548)
Gross deferred tax liabilities	(32,784)	(33,394)	(268,725)
Net deferred tax assets (liabilities)	¥ 11,706	¥ 13,004	$ 95,949

3. The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Statutory income tax rate	30.6%	30.6%
Tax credits	(3.2)	(4.0)
Tax rate difference of overseas consolidated subsidiaries	(3.1)	(3.3)
Valuation allowance	—	1.7
Permanent difference resulting from non-taxable income, including dividends received	(0.3)	(0.4)
Permanent difference resulting from expenses not deductible for income tax purposes	1.2	1.0
Consolidation adjustment for gain on sales of investment securities	—	—
Other	1.8	2.8
Effective income tax rate	27.0%	28.4%

Note 17. Consolidated Statements of Comprehensive Income

Amounts reclassified to profit (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 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 3,627	¥57,286	$ 29,736
Reclassification adjustments	(9,504)	(40,843)	(77,916)
Before tax effect	(5,877)	16,443	(48,180)
Tax effect	1,655	(5,043)	13,565
Valuation difference on available-for-sale securities	(4,222)	11,400	(34,615)
Deferred gains or losses on hedges:			
Amount arising during the year	266	798	2,186
Before tax effect	266	798	2,186
Tax effect	(81)	(245)	(670)
Deferred gains or losses on hedges	185	553	1,516
Foreign currency translation adjustments:			
Amount arising during the year	13,959	5,938	114,424
Before tax effect	13,959	5,938	114,424
Tax effect	24	—	215
Foreign currency translation adjustments	13,983	5,938	114,639
Remeasurements of defined benefit plans:			
Amount arising during the year	(781)	4,803	(6,404)
Reclassification adjustments	701	1,585	5,743
Before tax effect	(80)	6,388	(661)
Tax effect	43	(1,969)	351
Remeasurements of defined benefit plans	(37)	4,419	(310)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	(56)	97	(467)
Reclassification adjustments	76	(312)	635
Share of other comprehensive income of associates accounted for using equity method	20	(215)	168
Total other comprehensive income	¥ 9,929	¥22,095	$ 81,398

Note 18. Contingent Liabilities

Contingent liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Guarantees	¥4,733	¥6,505	$38,797

Note 19. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Depreciation method for leased assets is as stated in “f. Depreciation, 2) Leased assets” in “Note 2. Summary of Significant Accounting Policies.”

2. Operating lease transactions

The minimum rental commitments under noncancellable operating leases as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Due within one year	¥2,350	¥ 2,444	$19,266
Due after one year	6,275	8,107	51,434
Total	¥8,625	¥10,551	$70,700

Note 20. Revenue Recognition

1. Disaggregation of revenue

Disaggregation of revenue by geographical region for the year ended March 31, 2022 was as follows:

	Millions of yen								
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Subtotal	Adjustments	Total
Japan	¥173,894	¥245,879	¥ 81,596	¥64,531	¥85,647	¥49,918	¥701,465	¥(45,644)	¥655,821
Asia and other areas	46,969	29,713	26,321	11,535	1,344	1,717	117,599	(749)	116,850
China	15,649	24,621	54,564	232	3,523	3,052	101,641	(1,106)	100,535
Europe	436	7,091	12,324	118	—	2	19,971	0	19,971
America	3,611	7,006	4,002	2,147	269	22	17,057	(8)	17,049
Revenue from contracts with customers	¥240,559	¥314,310	¥178,807	¥78,563	¥90,783	¥54,711	¥957,733	¥(47,507)	¥910,226

	Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Subtotal	Adjustments	Total
Japan	$1,425,362	$2,015,409	$ 668,827	$528,947	$702,026	$409,145	$5,749,716	$(374,131)	$5,375,585
Asia and other areas	384,988	243,526	215,733	94,529	11,013	14,136	963,925	(6,140)	957,785
China	128,271	201,819	447,249	1,909	28,877	24,999	833,124	(9,067)	824,057
Europe	3,576	58,128	101,017	972	0	6	163,699	(1)	163,698
America	29,603	57,430	32,805	17,603	2,210	160	139,811	(64)	139,747
Revenue from contracts with customers	$1,971,800	$2,576,312	$1,465,631	$643,960	$744,126	$448,446	$7,850,275	$(389,403)	$7,460,872

2. Foundational information to understand revenue

The Companies account for revenue in accordance with I. Recognition for Revenue and Costs in "Note 2. Summary of Significant Accounting Policies." The Companies' methods for recognition of revenue for goods and services in each segment are as follows:

The Companies are engaged in a wide range of business activities, such as product development, production, sales, and services.

The Companies combine two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract if one or more of the following criteria are met:

a) The contracts are negotiated as a package with a single commercial objective.
b) The amount of consideration to be paid in one contract depends on the price or performance of the other contract.
c) The goods or services promised in the contracts are a single performance obligation.

When a contract is modified in the scope or price (or both) of a contract that is approved by the parties to the contract, the Companies assess whether the contract modification is a separate contract or as if it were a part of the existing contract.

When a contract includes two or more goods or services, the Companies identify whether or not the performance obligation is distinct and determine accounting units.

If the Companies act as an agent to arrange for goods or services to be provided by the other party, the Companies recognize revenue in the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

The Companies assess the transaction price in an amount of consideration to which the Companies expect to be entitled in exchange for transferring the goods or services. If an amount of consideration varies, the Companies estimate the amount as a variable consideration and include it in the transaction price. The Companies include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Companies deduct rebates to be paid to a customer from revenue.

The Companies allocate the transaction price to each performance obligation on a relative stand-alone selling price basis. If a stand-alone selling price is not directly observable, the Companies estimate the stand-alone selling price by forecasting its expected costs of satisfying a performance obligation and then adding an appropriate margin for that good or service.

The Companies recognize revenue when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer. The Companies determine at contract inception whether the Companies satisfy the performance obligation over time or satisfy the performance obligation at a point in time. The Companies satisfy a performance obligation and recognize revenue over time, if one of the following criteria are met.

a) The customer simultaneously receives and consumes the benefits provided by the Companies' performance as the Companies perform.
b) The Companies' performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The Companies' performance does not create an asset with an alternative use to the Companies and the Companies have an enforceable right to payment for performance completed to date.

If the above criteria are not met, the Companies recognize revenue at a point in time when the goods of services are transferred to a customer and the performance obligation is satisfied.

(1) Sales of standard goods

The Companies are engaged in sales goods and construction contracts such as smart meters and power distribution and control equipment in Power Electronics Energy segment, inverters, FA components, measuring instruments and sensors in Power Electronics Industry segment, power semiconductors for industrial and vehicles in Semiconductors segment and beverage vending machines, vending machines for food and other goods, store equipment and currency handling equipment in Food and Beverage Distribution segment.

For these transactions, control of goods is transferred to a customers at a point in time.

For domestic sales, the Companies recognize revenue upon shipment because the period between shipment and transfer of control of goods to customer is a normal period. (Application of shipping standards)

For domestic sales for which shipping standards are not applied, the Companies recognize revenue upon delivery of goods to a customer.

For export transactions, the Companies recognize revenue upon delivery of goods to a customer specified in the trade terms.

(2) Sales of job-order production goods and contract works

The Companies are engaged in sales for goods and construction contracts such as substations, energy management systems, uninterruptible power systems (UPSs) and switchboards in the Power Electronics Energy segment, FA systems, drive control systems, measuring and control systems, transport systems, scrubber systems, radiation monitoring systems, electricity construction, air conditioning equipment construction, and ICT equipment and software in Power Electronics Industry segment and geothermal power generation, hydroelectric power generation, solar power generation, wind power generation, fuel cells, thermal power generation and nuclear power generation equipments in Power Generation segment.

For these transactions, the Companies apply the method that revenue is recognized over time by measuring progress toward complete satisfaction of performance obligations because its performance obligations are satisfied over time (the cost-based input method is used in measuring the progress).

(3) Rendering of services

The companies are engaged in services such as maintenance, inspection, repair, remodeling, and operation maintenance and management, related to (1) and (2).

For these transactions, the Companies apply the method that revenue is recognized over time based on the estimate of progress toward complete satisfaction of performance obligations because its performance obligations are satisfied over time (the cost-based input method is used in measuring the progress).

For maintenance contracts, etc., in which services are rendered to customers evenly over the contract period, the Companies recognize revenue on a straight-line basis over the contract period.

There is no significant financing component because the Companies expect, at contract inception, that the period between when the Companies transfer promised goods or services to a customer and when the customer pays for that goods or services will be one year or less.

3. Information to understand the amount of revenue for the current and subsequent fiscal year

(1) Contract assets and contract liabilities

Contract assets are the Companies' right to consideration in exchange for goods or services that the Companies have transferred to customers. Contract assets are transferred to accounts receivable-trade when the right to consideration become unconditional.

Contract liabilities are the Companies' obligation to transfer goods or services to customers for which the Companies have received consideration or the amount is due from the customers.

Notes for the ending balance of the notes receivable-trade, accounts receivable-trade and contract assets are omitted because these balances are separately presented in the consolidated balance sheet.

Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the current fiscal year was ¥20,377 million ($167,031 thousand).

In addition, revenue recognized in the current fiscal year from performance obligations satisfied (or partially satisfied) in the previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the current fiscal year was ¥324,578 million ($2,660,483 thousand). Of this amount, Power Electronics Energy, Power Electronics Industry and Power Generation have contracts that recognize revenue over time.

The unsatisfied performance obligations by segments are expected to be satisfied approximately within the following periods.

Power Electronics Energy: within 3 years
Power Electronics Industry: within 4 years
Power Generation: within 6 years

Regarding to the note for the "(2) Transaction price allocated to the remaining performance obligations," the Companies applied the practical expedient and did not include contracts that have an original expected duration of one year or less.
In addition, the above amounts do not include the material estimates of variable consideration.

Note 21. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities.

Accordingly, the Companies have the following five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power Electronics Energy, Power Electronics Industry, Semiconductors, Power Generation, and Food and Beverage Distribution. These segments except for Semiconductors and Power Generation consist of 2 or more business segments.

Also, the names of the Power Electronics Systems Energy, Power Electronics Systems Industry and Electronic Devices reporting segments have been changed to Power Electronics Energy, Power Electronics Industry, and Semiconductors, respectively. The change in the names of the reporting segments does not affect the segment information.

Main products and services of each reporting segment consist of the following:

Reporting segments	Main products and services
Power Electronics Energy	Substations, energy management systems, smart meters, uninterruptible power systems (UPSs), switchboards, power distribution and control equipment
Power Electronics Industry	Inverters, FA components, measuring instruments, sensors, FA systems, drive control systems, measuring and control systems, transport systems, scrubber systems, radiation monitoring systems, electricity construction, air conditioning equipment construction, ICT equipment and software
Semiconductors	Power semiconductors for industrial and vehicles
Power Generation	Geothermal power generation, hydroelectric power generation, solar power generation, wind power generation, fuel cells, thermal power generation
Food and Beverage Distribution	Beverage vending machines, vending machines for food and other goods, store equipment, currency handling equipment

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in "Note 2. Summary of Significant Accounting Policies." Segment profit or loss presented in segment information is based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(Application of "Accounting Standard for Revenue Recognition")

As described in "s. Change in accounting policy," the Companies applied the "Accounting Standard for Revenue Recognition," etc. from the beginning of the current fiscal year, resulting in a change to the accounting method for revenue recognition. The method for calculating segment profit or loss has been changed as well.

As a result of this change, compared to the previous method, net sales for the current consolidated fiscal year have decreased by ¥722 million ($5,924 thousand) in Power Electronics Energy, ¥630 million ($5,169 thousand) in Power Electronics Industry, ¥858 million ($7,034 thousand) in Power Generation and ¥343 million ($2,814 thousand) in Food and Beverage Distribution. Net sales have increased by ¥471 million ($3,869 thousand) in Semiconductors and ¥17 million ($140 thousand) in Others. Also, segment profit have decreased by ¥417 million ($3,425 thousand) in Power Electronics Energy, ¥113 million ($929 thousand) in Semiconductors, ¥101 million ($829 thousand) in Food and Beverage Distribution and ¥31 million ($259 thousand) in Others. Segment profit have increased by ¥87 million ($716 thousand) in Power Electronics Industry and ¥73 million ($599 thousand) in Power Generation.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen								
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥237,773	¥298,267	¥174,249	¥78,487	¥90,191	¥31,259	¥910,226	¥ —	¥ 910,226
Inter-segment sales and transfers	2,786	16,043	4,558	76	592	23,452	47,507	(47,507)	—
Total sales	240,559	314,310	178,807	78,563	90,783	54,711	957,733	(47,507)	910,226
Segment profits (losses)	¥ 21,365	¥ 23,676	¥ 27,136	¥ 3,124	¥ 3,007	¥ 2,838	¥ 81,146	¥ (6,311)	¥ 74,835
Segment assets	¥218,289	¥304,636	¥267,172	¥79,490	¥75,047	¥35,033	¥979,667	¥137,445	¥1,117,112
Other items									
Depreciation and amortization	¥ 5,958	¥ 7,357	¥ 20,827	¥ 1,291	¥ 2,537	¥ 904	¥ 38,874	¥ 1,095	¥ 39,969
Investments for companies applied equity method	¥ 12,043	¥ 1,851	¥ —	¥ —	¥ —	¥ —	¥ 13,894	¥ —	¥ 13,894
Capital expenditures	¥ 5,643	¥ 10,360	¥ 39,543	¥ 1,047	¥ 1,149	¥ 625	¥ 58,367	¥ 1,680	¥ 60,047

	Millions of yen								
Year ended March 31, 2021	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥206,559	¥332,294	¥154,033	¥80,114	¥76,300	¥26,627	¥875,927	¥ —	¥ 875,927
Inter-segment sales and transfers	2,670	13,590	3,451	238	256	26,068	46,273	(46,273)	—
Total sales	209,229	345,884	157,484	80,352	76,556	52,695	922,200	(46,273)	875,927
Segment profits (losses)	¥ 14,018	¥ 21,781	¥ 17,652	¥ 2,517	¥ (5,280)	¥ 2,215	¥ 52,903	¥ (4,308)	¥ 48,595
Segment assets	¥203,048	¥307,864	¥215,624	¥67,052	¥82,411	¥37,390	¥913,389	¥138,563	¥1,051,952
Other items									
Depreciation and amortization	¥ 5,879	¥ 6,660	¥ 18,049	¥ 1,263	¥ 2,519	¥ 863	¥ 35,233	¥ 961	¥ 36,194
Investments for companies applied equity method	¥ 10,995	¥ 1,729	¥ —	¥ —	¥ —	¥ —	¥ 12,724	¥ —	¥ 12,724
Capital expenditures	¥ 7,380	¥ 7,042	¥ 21,507	¥ 1,136	¥ 2,131	¥ 499	¥ 39,695	¥ 1,297	¥ 40,992

Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
	Thousands of U.S. dollars (Note 3)								
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	$1,948,963	$2,444,820	$1,428,272	$643,339	$739,278	$256,201	$7,460,873	$ —	$7,460,873
Inter-segment sales and transfers	22,838	131,493	37,360	621	4,849	192,242	389,403	(389,403)	—
Total sales	1,971,801	2,576,313	1,465,632	643,960	744,127	448,443	7,850,276	(389,403)	7,460,873
Segment profits (losses)	$ 175,123	$ 194,068	$ 222,426	$ 25,613	$ 24,648	$ 23,259	$ 665,137	$ (51,730)	$ 613,407
Segment assets	$1,789,258	$2,497,022	$2,189,937	$651,560	$615,140	$287,149	$8,030,066	$1,126,597	$9,156,663
Other items									
Depreciation and amortization	$ 48,843	$ 60,308	$ 170,721	$ 10,583	$ 20,795	$ 7,391	$ 318,641	$ 8,976	$ 327,617
Investments for companies applied equity method	$ 98,715	$ 15,176	$ —	$ —	$ —	$ —	$ 113,891	$ —	$ 113,891
Capital expenditures	$ 46,259	$ 84,926	$ 324,124	$ 8,589	$ 9,424	$ 5,104	$ 478,426	$ 13,764	$ 492,190

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Corporate expense*	¥ (6,270)	¥ (4,314)	$ (51,397)
Elimination of intersegment sales	(41)	6	(333)
Total	¥ (6,311)	¥ (4,308)	$ (51,730)

* Corporate expense mainly consisted of administration cost of the Company.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Corporate assets*	¥ 288,299	¥ 276,445	$ 2,363,112
Elimination of intersegment transactions	(150,855)	(137,882)	(1,236,515)
Total	¥ 137,444	¥ 138,563	$ 1,126,597

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2. Related Information

Related information for the years ended March 31, 2022 and 2021 were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Japan	¥655,821	¥654,020	$5,375,586
Asia (except for China), Others	116,850	108,207	957,783
China	100,535	83,874	824,058
Europe	19,971	16,512	163,699
America	17,049	13,314	139,747
Consolidated	¥910,226	¥875,927	$7,460,873

Note: Net sales information above is based on customer location.

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Japan	¥191,526	¥168,724	$1,569,888
Asia (except for China), Others	24,085	25,449	197,400
China	16,779	14,327	137,541
Europe	612	605	5,022
America	673	653	5,523
Consolidated	¥233,675	¥209,758	$1,915,374

3. Information on impairment loss of fixed assets by each reporting segment

Information on impairment loss of fixed assets by each reporting segment for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Power Electronics Energy	¥ —	¥ 801	$ —
Power Electronics Industry	—	162	—
Semiconductors	—	—	—
Power Generation	—	—	—
Food and Beverage Distribution	—	—	—
Others	—	—	—
Total	¥ —	¥ 963	$ —

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment for the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen						
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Consolidated
Amortization	¥ —	¥ 817	¥ 11	¥ —	¥ —	¥ —	¥ 828
Balance as of March 31	¥ —	¥5,934	¥ 38	¥ —	¥ —	¥ —	¥5,972

	Millions of yen						
Year ended March 31, 2021	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Consolidated
Amortization	¥ —	¥ 843	¥ 10	¥ —	¥ —	¥ —	¥ 853
Balance as of March 31	¥ —	¥6,294	¥ 44	¥ —	¥ —	¥ —	¥6,338

	Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Consolidated
Amortization	$ —	$ 6,698	$ 89	$ —	$ —	$ —	$ 6,787
Balance as of March 31	$ —	$48,647	$ 305	$ —	$ —	$ —	$48,952

5. Information on gain on negative goodwill by each reporting segment

None

Note 22. Information on Transactions with Related Parties

For the year ended March 31, 2022

None

Note 23. Business Combinations

For the year ended March 31, 2022

This disclosure is omitted due to the immateriality.

Note 24. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses for removing asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current fiscal year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 9 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.03% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Balance at the beginning of the year	¥1,900	¥1,896	$15,578
Change in estimate	642	—	5,262
Adjustment due to passage of time	6	6	55
Decrease due to fulfillment of obligations	(25)	(2)	(211)
Balance at the end of the year	¥2,523	¥1,900	$20,684

Note 25. Amounts Per Share

Information on amounts per share for the years ended March 31, 2022 and 2021 was as follows:

	Yen		U.S. dollars (Note 3)
	2022	2021	2022
Net assets per share	¥3,310.80	¥2,919.34	$27.138
Net income per share	410.68	293.52	3.366

Notes 1. Diluted net income per share in 2022 and 2021 is not disclosed because there is no potential common stock that has a dilutive effect.

2. As described in "t. Change in accounting policy," the Companies applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020), etc. from the beginning of the current fiscal year. In addition, the Companies have applied transitional treatment stipulated in the proviso of paragraph 84 of "Accounting Standard for Revenue Recognition." As a result, net assets per share increased by ¥10.57 and net income per share decreased by ¥1.39.

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Independent Auditor's Report

The Board of Directors
Fuji Electric Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fuji Electric Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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

We determined the impact on the consolidated financial statements of "Provision for product warranties for costs of corrective measures in response to defects in certain power semiconductors for certain customers", which was one of the key audit matters in the audit of the consolidated financial statements of the prior period, and the uncertainty of estimates has decreased. As a result, we did not consider this matter to be a key audit matter in our audit of the consolidated financial statements of the current period.

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Revenue recognized over time by measuring progress toward complete satisfaction of performance obligations	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 2. r. "Accounting Standard for Disclosure of Accounting Estimates" (1. Revenues recognized over time by measuring progress toward complete satisfaction of performance obligations), mainly in the Power Electronics segments and the Power Generation segment, the Fuji Electric Group("the group") applies the method of measuring the progress towards complete satisfaction of performance obligations and recognizes revenue over time (the cost-based input method is used in measuring the progress) for the sales of job-order production goods, contract works and rendering of services through construction contracts ("construction contracts"). The group recognizes revenue over time by measuring the progress toward complete satisfaction of performance obligations from unfinished, undelivered, or incomplete construction contracts, and the amount as of the end of this fiscal year was 94,957 million yen, accounting for 10% of total sales of 910,226 million yen recorded for this fiscal year . Progress toward complete satisfaction of performance obligations is determined based on the ratio of costs incurred to the end of the fiscal year to the estimation of the total cost of the contract. Each construction contract has different fundamental specifications and work details because they are determined in accordance with each customer's instructions. Accordingly, the estimation of the total cost involves certain assumptions and judgements that are based on expertise knowledge of and experience related to the project and are subject to uncertainty. Further, given that construction contracts are generally long-term in nature, it is necessary	We mainly performed the following audit procedures to evaluate the validity of the estimation of the total cost in cases where the progress toward complete satisfaction of performance obligations is measured and revenue is recognized over time. (1) Evaluation of internal controls We evaluated the design and operating effectiveness of the following internal controls relating to estimates of the total cost. ・Controls to ensure reliability by requiring that a breakdown of the execution budget (a budget prepared and approved for managing project costs) on which estimates of the total cost are based is prepared by responsible personnel with expertise knowledge and approved by managers ・System to confirm that each of the elements of the total cost are accumulated and calculated in detail based on objective prices such as third party quotations and internally approved standard unit prices ・System for revising estimates of the total cost in a timely manner incorporating factors such as project progress and the amounts of costs actually incurred, or changes in specifications instructed by customers ・System for the effective and timely monitoring of the estimation of the total cost under the cost management department, which is responsible for the reliability of estimation of the total cost (2) Evaluation of the validity of estimation of the total cost We identified projects involving a quantitatively or qualitatively high degree of uncertainty over the estimation of the total

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to review the total cost because contracts may need to be revised due to the fluctuations in material, labor, and other costs while construction is still in progress. However, making timely and appropriate revisions of the total cost also involve certain assumptions and judgements that are based on expertise knowledge of and experience related to the project, and are subject to uncertainty. Therefore, we consider the estimation of the total cost made in measuring the progress toward complete satisfaction of performance obligations to be of particular significance in this fiscal year and, accordingly, we have determined that this is a key audit matter.	cost in light of factors such as contract amount, details and progress of project, and performed the following procedures. ・We reconciled the estimation of the total cost to breakdowns of the execution budget on which calculations of such estimates are based, and evaluated whether cost details are consistent with construction contracts and calculated by accumulating each of the total cost elements, and whether breakdowns of the execution budget contain any adjustment items with abnormal amounts included in response to future uncertainty. ・Changes in the total cost from the end of the previous fiscal year were above a certain threshold, we evaluated whether the details of such changes are consistent with the current status of the project by making inquiries of project managers and reconciling changes to work schedules and quotations from suppliers. ・We made inquiries of project managers about changes in contracts, project progress, and judgements of whether revisions need to be made to the total cost, and evaluated the reasonableness of their responses with reference to work schedules and amounts of costs incurred. ・We conducted inspections of construction sites and evaluated whether the project progress is consistent with estimation of the total cost and progress toward complete satisfaction of performance obligations. ・We evaluated the process for estimating total cost by comparing estimation of the total cost as of the end of the previous fiscal year with the re-estimated amounts or outcomes of such estimations.

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Other Information

The other information comprises the information included in Fuji Electric Report Financials that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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 in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor 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.

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

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

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 22, 2022

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