



HOYA Corporation and its Subsidiaries
Consolidated Financial Statements under IFRSs
and Independent Auditor's Report

For the year ended 31 March 2022

HOYA Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HOYA CORPORATION:

Opinion

We have audited the consolidated financial statements of HOYA CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

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

Recoverability of the suspense payments of income tax (Note 11. Deferred taxes and income taxes and Note 13. Other assets and liabilities)

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As disclosed in Note 11. "Deferred taxes and income taxes" and Note 13. "Other assets and liabilities" to the consolidated financial statements, HOYA CORPORATION (the "Company") received reassessment notices from the Tokyo Regional Taxation Bureau ("TRTB") for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the five financial years ended 31 March 2007 to 2011 and the three financial years ended 31 March 2012 to 2014. As a result of the objections with TRTB seeking the withdrawal of the assessment, the Company received written verdicts from the National Tax Tribunal (the "Tribunal"), which partially cancel the reassessments. However, the Company disagrees with the remaining findings of the Tribunal's verdicts that maintain portions of the reassessments and expects that all the reassessments be cancelled in the trials. Consequently, the paid amounts of 7,916 million yen and 4,544 million yen are included in "Other current assets" as suspense payments.</p> <p>In addition, the Company received reassessment notices from the TRTB for additional tax on the transfer pricing taxation of same transactions as above for the four financial years ended 31 March 2015 to 2018. However, the Company expects that all the reassessments be cancelled in the procedures for the withdrawal of the assessment. Consequently, the paid amount of 8,000 million yen is also included in "Other current assets" as suspense payments.</p> <p>There are differences in claims with the authorities regarding the tax treatment and there is uncertainty as to whether the court and the Tribunal will accept the Company's claims.</p> <p>In accordance with the Japanese tax law, auditing the recoverability of the suspense payments required not only high-level expertise related to interpretations of the tax law and practical judgment but also complex and professional judgment. Therefore, we identified the recoverability of the suspense payments of income tax as a key audit matter.</p>	<p>In order to evaluate the appropriateness of the judgment of the Company for the recoverability of the suspense payments of income tax, we performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • With the assistance of our tax specialists, we critically evaluated the appropriateness of the Company's position about points of dispute in the trials based on inquiries of the Company's management and in-house tax accountants and inspections of the briefs and written answers; and • We received external legal counsel confirmation letters and assessed the view on the current situation of the trials and the recoverability.

Other Information

The other information comprises the information included in the Group's disclosure documents accompanying audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu LLC

June 24, 2022

Consolidated Statement of Financial Position

HOYA Corporation and its Subsidiaries

As at 31 March 2022

	Notes	(Millions of Yen) As at 31 March 2021	(Millions of Yen) As at 31 March 2022	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2022
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment—net	6, 9, 33	164,957	169,665	1,386,262
Goodwill	8, 9	35,688	39,648	323,945
Intangible assets	8, 9, 33	37,110	35,768	292,244
Investments in associates	10	661	930	7,600
Long-term financial assets	7, 12, 21	52,005	54,078	441,847
Other non-current assets	13	797	688	5,625
Deferred tax assets	11	7,488	9,098	74,334
Total non-current assets		298,705	309,874	2,531,856
CURRENT ASSETS:				
Inventories	14	77,367	91,441	747,127
Trade and other receivables	7, 15, 21	117,251	134,174	1,096,281
Other short-term financial assets	12, 21	3,897	7,223	59,014
Income taxes receivable		1,218	2,526	20,640
Other current assets	13	19,956	28,197	230,386
Cash and cash equivalents	21	334,897	419,404	3,426,786
Total current assets		554,584	682,965	5,580,234
Total assets		853,290	992,839	8,112,090

	Notes	(Millions of Yen) As at 31 March 2021	(Millions of Yen) As at 31 March 2022	(Thousands of U.S. Dollars (Note 2)) As at 31 March 2022
<u>EQUITY AND LIABILITIES</u>				
<u>EQUITY</u>				
Share capital	20(1)	6,264	6,264	51,182
Capital reserves	20(1)	15,899	15,899	129,901
Treasury shares	20(2)	(43,560)	(68,310)	(558,135)
Other capital reserves	20(2)	(10,354)	(11,570)	(94,535)
Retained earnings	20(3), 34	710,274	802,815	6,559,482
Accumulated other comprehensive income		9,477	58,753	480,051
Equity attributable to owners of the Company		688,000	803,851	6,567,946
Non-controlling interests	20(4), 29	(15,589)	(14,795)	(120,887)
Total equity		672,412	789,056	6,447,059
<u>LIABILITIES</u>				
NON-CURRENT LIABILITIES:				
Interest-bearing long-term debt	7, 16, 21	13,234	13,763	112,449
Other long-term financial liabilities	12, 21	21,874	23,863	194,979
Retirement benefit liabilities	17	3,248	3,766	30,767
Provisions	18	2,587	2,671	21,820
Other non-current liabilities	13	1,455	2,262	18,482
Deferred tax liabilities	11	6,870	10,079	82,355
Total non-current liabilities		49,268	56,404	460,852
CURRENT LIABILITIES:				
Interest-bearing short-term debt	7, 16, 21	7,515	7,837	64,030
Trade and other payables	19, 21	57,354	61,984	506,444
Other short-term financial liabilities	12, 21	2,598	647	5,282
Income tax payables		17,041	23,126	188,951
Provisions	18	1,161	1,474	12,047
Other current liabilities	13	45,942	52,312	427,425
Total current liabilities		131,610	147,380	1,204,179
Total liabilities		180,878	203,783	1,665,031
Total equity and liabilities		853,290	992,839	8,112,090

Consolidated Statement of Comprehensive Income

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2022

	Notes	(Millions of Yen) For the year ended 31 March 2021	(Millions of Yen) For the year ended 31 March 2022	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2022
Continuing operations				
Revenue:				
Sales	23	547,921	661,466	5,404,574
Finance income	7, 25	2,204	1,718	14,037
Other income	21, 24	8,139	7,141	58,345
Total revenue		558,264	670,325	5,476,957
Expenses:				
Changes in goods, products and work in progress		3,898	(3,422)	(27,956)
Raw materials and consumables used		79,390	106,464	869,872
Employee benefits expense	17, 22, 24	120,004	143,250	1,170,438
Depreciation and amortisation	6, 7, 8, 24	36,336	43,019	351,491
Subcontracting cost		4,082	4,356	35,594
Advertising and promotion expense		9,999	13,186	107,736
Commissions expense	24	30,475	37,589	307,126
Impairment losses	9	8,166	1,078	8,810
Finance costs	7, 17, 25	2,010	1,664	13,595
Share of loss of associates	10	369	45	364
Foreign exchange (gain)/loss, net	24	(330)	(5,838)	(47,700)
Other expenses	6, 7, 8, 24	104,646	118,228	965,990
Total expenses		399,046	459,619	3,755,361
Profit before tax		159,218	210,706	1,721,596
Income tax expense	11	33,997	45,384	370,814
Profit for the year from continuing operations		125,221	165,322	1,350,781
Profit for the year		125,221	165,322	1,350,781
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Financial assets measured at fair value through other comprehensive income		8,363	3,060	24,999
Remeasurements of the net defined benefit asset and liability, net	17	280	290	2,368
Income tax relating to components of other comprehensive income	11	(2,562)	(832)	(6,801)
Subtotal		6,081	2,517	20,566
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations		21,093	46,850	382,796
Share of other comprehensive income of associates	10	(144)	142	1,163
Income tax relating to components of other comprehensive income	11	(78)	(11)	(93)
Subtotal		20,281	46,981	383,866
Total other comprehensive income		26,952	49,498	404,432
Total comprehensive income for the year		152,173	214,821	1,755,214

	Notes	(Millions of Yen) For the year ended 31 March 2021	(Millions of Yen) For the year ended 31 March 2022	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2022
Profit attributable to:				
Owners of the Company		125,446	164,507	1,344,121
Non-controlling interests		(225)	815	6,660
Total		125,221	165,322	1,350,781
Total comprehensive income attributable to:				
Owners of the Company		151,984	214,130	1,749,572
Non-controlling interests		188	691	5,642
Total		152,173	214,821	1,755,214

	Notes	(Yen) For the year ended 31 March 2021	(Yen) For the year ended 31 March 2022	(U.S. Dollars (Note 2)) For the year ended 31 March 2022
Basic earnings per share	27			
Continuing operations		335.77	446.45	3.65
Discontinued operations		—	—	—
Basic earnings per share		335.77	446.45	3.65
Diluted earnings per share	27			
Continuing operations		335.25	445.93	3.64
Discontinued operations		—	—	—
Diluted earnings per share		335.25	445.93	3.64

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2022

(Millions of Yen)

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 1 April 2020		6,264	15,899	(27,963)	(8,428)	676,058
Total comprehensive income for the year						
Profit for the year						125,446
Other comprehensive income	26					
Total comprehensive income for the year						125,446
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)			(76,671)	(4)	
Disposal of treasury shares	20(2)			3,312	(2,007)	
Cancellation of treasury shares	20(2)			57,762		(57,762)
Dividends, 90 yen per share	20(3)					(33,741)
Share-based payments (stock options)	22				86	
Transfer to retained earnings						274
Total contributions by and distributions to owners		—	—	(15,597)	(1,926)	(91,230)
Total transactions with owners		—	—	(15,597)	(1,926)	(91,230)
Balance at 31 March 2021		6,264	15,899	(43,560)	(10,354)	710,274
Total comprehensive income for the year						
Profit for the year						164,507
Other comprehensive income	26					
Total comprehensive income for the year						164,507
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)			(65,764)	(0)	
Disposal of treasury shares	20(2)			1,921	(1,314)	
Cancellation of treasury shares	20(2)			39,093		(39,093)
Dividends, 90 yen per share	20(3)					(33,220)
Change in non-controlling interests	20(4)				—	
Share-based payments (stock options)	22				98	
Transfer to retained earnings						347
Total contributions by and distributions to owners		—	—	(24,750)	(1,217)	(71,966)
Total transactions with owners		—	—	(24,750)	(1,217)	(71,966)
Balance at 31 March 2022		6,264	15,899	(68,310)	(11,570)	802,815

(Millions of Yen)

	Notes	Financial assets	Exchange differences	Remeasurements of	Share of other	Accumulated other
		measured at fair value through other comprehensive income	on translation of foreign operations	the net defined benefit liability (asset)	comprehensive income of associates	comprehensive income
Balance at 1 April 2020		1,724	(16,604)	—	(1,909)	(16,788)
Total comprehensive income for the year						
Profit for the year						
Other comprehensive income	26	5,813	20,606	264	(144)	26,539
Total comprehensive income for the year		5,813	20,606	264	(144)	26,539
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)					
Disposal of treasury shares	20(2)					
Cancellation of treasury shares	20(2)					
Dividends, 90 yen per share	20(3)					
Share-based payments (stock options)	22					
Transfer to retained earnings		(10)		(264)		(274)
Total contributions by and distributions to owners		(10)	—	(264)	—	(274)
Total transactions with owners		(10)	—	(264)	—	(274)
Balance at 31 March 2021		7,527	4,002	—	(2,053)	9,477
Total comprehensive income for the year						
Profit for the year						
Other comprehensive income	26	2,285	46,958	238	142	49,623
Total comprehensive income for the year		2,285	46,958	238	142	49,623
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)					
Disposal of treasury shares	20(2)					
Cancellation of treasury shares	20(2)					
Dividends, 90 yen per share	20(3)					
Change in non-controlling interests	20(4)					
Share-based payments (stock options)	22					
Transfer to retained earnings		(109)		(238)		(347)
Total contributions by and distributions to owners		(109)	—	(238)	—	(347)
Total transactions with owners		(109)	—	(238)	—	(347)
Balance at 31 March 2022		9,703	50,960	—	(1,910)	58,753

(Millions of Yen)

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 April 2020		645,042	(15,777)	629,265
Total comprehensive income for the year				
Profit for the year		125,446	(225)	125,221
Other comprehensive income	26	26,539	413	26,952
Total comprehensive income for the year		151,984	188	152,173
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	20(2)	(76,675)		(76,675)
Disposal of treasury shares	20(2)	1,304		1,304
Cancellation of treasury stock	20(2)	—		—
Dividends, 90 yen per share	20(3)	(33,741)	—	(33,741)
Share-based payments (stock options)	22	86		86
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(109,026)	—	(109,026)
Total transactions with owners		(109,026)	—	(109,026)
Balance at 31 March 2021		688,000	(15,589)	672,412
Total comprehensive income for the year				
Profit for the year		164,507	815	165,322
Other comprehensive income	26	49,623	(125)	49,498
Total comprehensive income for the year		214,130	691	214,821
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	20(2)	(65,764)		(65,764)
Disposal of treasury shares	20(2)	607		607
Cancellation of treasury stock	20(2)	—		—
Dividends, 90 yen per share	20(3)	(33,220)	(89)	(33,309)
Change in non-controlling interests	20(4)	—	191	191
Share-based payments (stock options)	22	98		98
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(98,279)	103	(98,177)
Total transactions with owners		(98,279)	103	(98,177)
Balance at 31 March 2022		803,851	(14,795)	789,056

Consolidated Statement of Changes in Equity

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2022-Continued

(Thousands of U.S. Dollars (Note 2))

	Notes	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at 31 March 2021		51,182	129,901	(355,913)	(84,595)	5,803,367
Total comprehensive income for the year						
Profit for the year						1,344,121
Other comprehensive income	26					
Total comprehensive income for the year						1,344,121
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)			(537,330)	(3)	
Disposal of treasury shares	20(2)			15,699	(10,739)	
Cancellation of treasury shares	20(2)			319,410		(319,410)
Dividends, 90 yen per share	20(3)					(271,430)
Change in non-controlling interests	20(4)				—	
Share-based payments (stock options)	22				803	
Transfer to retained earnings						2,834
Total contributions by and distributions to owners		—	—	(202,222)	(9,940)	(588,006)
Total transactions with owners		—	—	(202,222)	(9,940)	(588,006)
Balance at 31 March 2022		51,182	129,901	(558,135)	(94,535)	6,559,482

(Thousands of U.S. Dollars (Note 2))

	Notes					Accumulated other comprehensive income
		Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	
Balance at 31 March 2021		61,503	32,702	—	(16,771)	77,433
Total comprehensive income for the year						
Profit for the year						
Other comprehensive income	26	18,670	383,674	1,944	1,163	405,451
Total comprehensive income for the year		18,670	383,674	1,944	1,163	405,451
Transactions with owners						
Contributions by and distributions to owners						
Acquisition of treasury shares	20(2)					
Disposal of treasury shares	20(2)					
Cancellation of treasury shares	20(2)					
Dividends, 90 yen per share	20(3)					
Change in non-controlling interests	20(4)					
Share-based payments (stock options)	22					
Transfer to retained earnings		(889)		(1,944)		(2,834)
Total contributions by and distributions to owners		(889)	—	(1,944)	—	(2,834)
Total transactions with owners		(889)	—	(1,944)	—	(2,834)
Balance at 31 March 2022		79,283	416,376	—	(15,608)	480,051

(Thousands of U.S. Dollars (Note 2))

	Notes	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 31 March 2021		5,621,376	(127,367)	5,494,008
Total comprehensive income for the year				
Profit for the year		1,344,121	6,660	1,350,781
Other comprehensive income	26	405,451	(1,019)	404,432
Total comprehensive income for the year		1,749,572	5,642	1,755,214
Transactions with owners				
Contributions by and distributions to owners				
Acquisition of treasury shares	20(2)	(537,333)		(537,333)
Disposal of treasury shares	20(2)	4,959		4,959
Cancellation of treasury shares	20(2)	—		—
Dividends, 90 yen per share	20(3)	(271,430)	(724)	(272,155)
Change in non-controlling interests	20(4)	—	1,563	1,563
Share-based payments (stock options)	22	803		803
Transfer to retained earnings		—		—
Total contributions by and distributions to owners		(803,001)	839	(802,163)
Total transactions with owners		(803,001)	839	(802,163)
Balance at 31 March 2022		6,567,946	(120,887)	6,447,059

Consolidated Statement of Cash Flows
HOYA Corporation and its Subsidiaries
For the year ended 31 March 2022

	Notes	(Millions of Yen) For the year ended 31 March 2021	(Millions of Yen) For the year ended 31 March 2022	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2022
Cash flows from operating activities				
Profit before tax		159,218	210,706	1,721,596
Depreciation and amortisation		36,336	43,019	351,491
Impairment losses		8,166	1,078	8,810
Finance income		(2,204)	(1,718)	(14,037)
Finance costs		2,010	1,664	13,595
Share of (profits)/losses of associates		369	45	364
(Gain)/loss on sales of property, plant and equipment		(1,266)	(704)	(5,756)
Loss on disposal of property, plant and equipment		147	120	984
Gain on sale of businesses		—	(1,656)	(13,531)
Foreign exchange (gain)/loss		(357)	(4,882)	(39,886)
Others		(4,957)	(2,001)	(16,352)
Cash generated from operations (before movements in working capital)		197,463	245,671	2,007,278
Movements in working capital				
Decrease/(increase) in inventories		4,017	(7,092)	(57,949)
Decrease/(increase) in trade and other receivables		(9,788)	(8,696)	(71,053)
Increase/(decrease) in trade and other payables		(6,352)	5,700	46,570
Increase/(decrease) in retirement benefit liabilities and provisions		(69)	702	5,736
Subtotal		185,270	236,284	1,930,582
Interest received		1,286	955	7,807
Dividends received		8	42	343
Interest paid		(580)	(366)	(2,992)
Income taxes paid		(34,875)	(47,291)	(386,399)
Income taxes refunded		703	431	3,520
Net cash generated from operating activities		151,812	190,055	1,552,860
Cash flows from investing activities				
Withdrawals of time deposits		560	212	1,728
Payments for time deposits		(12)	(217)	(1,769)
Proceeds from sales of property, plant and equipment		2,077	1,469	12,005
Payments for acquisition of property, plant and equipment		(31,246)	(28,872)	(235,905)
Proceeds from sales of investment		665	219	1,793
Payments for acquisition of investment		(163)	(195)	(1,592)
Proceeds from sale of subsidiaries		—	2,040	16,664
Payments for acquisition of subsidiaries		(335)	(120)	(982)
Proceeds from sale of businesses		—	1,588	12,977
Payments for business transfer		(800)	(2,102)	(17,173)
Other proceeds		2,300	277	2,261
Other payments		(2,837)	(3,597)	(29,393)
Net cash used in investing activities		(29,790)	(29,298)	(239,384)

Consolidated Statement of Cash Flows
HOYA Corporation and its Subsidiaries
For the year ended 31 March 2022-Continued

	Notes	(Millions of Yen) For the year ended 31 March 2021	(Millions of Yen) For the year ended 31 March 2022	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2022
Cash flows from financing activities				
Dividends paid to owners of the Company		(33,720)	(33,201)	(271,269)
Dividends paid to non-controlling interests		—	(89)	(724)
Net decrease in short-term borrowings	16	(27)	(200)	(1,634)
Proceeds from long-term borrowings	16	738	—	—
Repayments of long-term borrowings	16	(20)	(23)	(187)
Repayments of lease liabilities	16	(7,273)	(8,217)	(67,136)
Proceeds from sale of treasury shares	20(2)	—	0	1
Payments for purchase of treasury shares	20(2)	(76,675)	(65,764)	(537,333)
Proceeds from exercise of stock options		1,304	607	4,959
Proceeds from share issuance to non-controlling shareholders	20(4)	—	164	1,342
Net cash used in financing activities		(115,673)	(106,722)	(871,982)
Net increase/(decrease) in cash and cash equivalents		6,349	54,034	441,494
Cash and cash equivalents at the beginning of the year		317,982	334,897	2,736,309
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		10,566	30,473	248,983
Cash and cash equivalents at the end of the year		334,897	419,404	3,426,786

Note:

Non-cash transactions are stated in Note 28 “Non-cash transactions”.

There are no short-term investments within three months as at 31 March 2022.

Notes to the Consolidated Financial Statements

HOYA Corporation and its Subsidiaries

For the year ended 31 March 2022

1. General information

HOYA Corporation (the “Company”) is a limited company incorporated in Japan. The addresses of its registered office and principal place of business are disclosed on the Company’s website (URL <https://www.hoya.com/en/>). The principal activities of the Company, its subsidiaries and its associates (the “Group”) are described in Note 5 “Operating segment information”.

2. Basis of consolidated financial statements

(1) Basis of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The accompanying consolidated financial statements are stated in Japanese yen.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan using the rate of ¥122.39 to \$1, the foreign exchange rate at 31 March 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Amounts of less than one million yen and one thousand U.S. dollars have been rounded to the nearest million yen and one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

The Company and its domestic subsidiaries maintain their books and prepare their financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”) while its foreign subsidiaries maintain their books and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform to IFRSs. These adjustments were not recorded in their statutory books and ledgers.

(2) Standards and interpretations in issue but not yet adopted by the Group

At the date of approval of the consolidated financial statements, the main standards and interpretations that were issued but not yet effective for mandatory adoption are as follows. There are no standards and interpretations that were early adopted by the Group. The impact of the adoption of these standards and interpretations on the consolidated financial statements of the Group is immaterial.

IFRSs		Mandatory adoption (from the year beginning)	To be adopted by the Group from the year ending	Subject of new standards/amendments
IFRS 10 (Revised)	Consolidated Financial Statements	Not determined	Not determined	Amendments to the accounting treatment for sale or contribution of assets between an investor and its associate or joint venture
IAS 28 (Revised)	Investments in Associates and Joint Ventures			

3. Significant accounting policies

(1) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments measured at revalued amounts or fair value. The principal accounting policies are set out below.

(2) Basis of consolidation

① Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as at 31 March of each year. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to elements of control.

The operating results of the subsidiaries are included in the consolidated statement of comprehensive income from the effective date the Group obtained control of the subsidiaries to the effective date the Group lost control, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses are eliminated in full in preparing the consolidated financial statements.

Changes in an interest of a subsidiary without losing control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective percentage of interests in the subsidiary. If there is a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, the difference is recognised directly in equity and attributed to the owners of the parent.

If loss in control of a subsidiary occurs, the Group recognises in profit or loss any resulting difference of the following:

1. sum of the fair value of any consideration received and any investment retained in the former subsidiary at its fair value; and
2. previous carrying amounts of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

② Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The results of and the investments in associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as an asset held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and then adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of the investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and the excess of those losses is no longer recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is tested for impairment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss. When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

③ Joint arrangements

The Group classifies joint arrangements as either joint operations (having rights to assets and obligations for liabilities accounted for accordingly) or joint ventures (having rights to net assets and equity accounted). The classification depends upon the rights and obligations of the parties to the arrangement.

Joint operators shall account for the assets, liabilities, revenues and expenses relating to their interests in joint operations. Joint ventures shall apply the equity method. The Group has neither joint operations nor joint ventures.

(3) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognised in profit or loss as incurred. The acquiree's identifiable assets acquired and liabilities assumed are recognised at their fair values at the acquisition date, except for the following:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed, and a liability (or asset, if any) related to the acquiree's employee benefit arrangements;
- a liability or an equity instrument related to the replacement of an acquiree's share-based payment awards with share-based payment awards of the acquirer; and
- an asset or disposal group that is classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Changes in the fair value of the contingent consideration resulting from events after the acquisition date are accounted for as follows:

- (a) Contingent consideration classified as equity is not remeasured and any subsequent settlement is accounted for in equity; or
- (b) Contingent consideration classified as an asset or a liability is accounted for in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", and IFRS 9, "Financial Instruments", or other IFRSs as appropriate. The changes in the fair value are recognised in profit or loss.

Goodwill is measured on the basis of the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets acquired, net of liabilities assumed at acquisition date. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in subsidiaries are reported in equity separately from the equity attributable to owners of the Company. Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to the fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that were previously recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill arising from business combinations before the IFRSs transition date is measured at carrying amount in accordance with the previous GAAP (i.e., Japanese GAAP) after performing an impairment test.

(4) Foreign currencies

① Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (i.e., its functional currency). For the purpose of the consolidated financial statements, the financial results, financial position and cash flows of each Group entity are presented in Japanese yen, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss during the period.

② Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen at the foreign exchange rates prevailing at the end of the reporting period. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange for the year. Where there are material fluctuations in exchange rates, the exchange rate at the transaction date is used. Foreign exchange differences arising from translation are initially recognised as exchange differences on translation of foreign operations in other comprehensive income and accumulated in 'accumulated other comprehensive income', which are reclassified from equity to profit or loss on disposal of the net investment and included in 'other expenses' in the consolidated statement of comprehensive income.

(5) Property, plant and equipment

The Group applies the cost model for measuring property, plant and equipment.

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment losses. Cost includes the expenses directly attributable to the assets; the initial estimated costs relating to scrap, removal and retirement; and, for qualifying assets, the borrowing cost for long-term projects. Depreciation of these assets commences when the assets are available for their intended use.

When significant components of property, plant and equipment are required to be replaced periodically, the Group recognises such components as individual assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Buildings and structures: 3-50 years

Machinery and carriers: 3-10 years

Tools, equipment and fixtures: 2-10 years

(6) Leases

As a lessee, the Group recognises a right-of-use asset and a lease liability at the commencement date. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The right-of-use asset is measured at cost comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs, such as the cost to dismantle and remove the underlying asset to the original condition required by the terms and conditions of lease contracts.

After the commencement date, the right-of-use asset is depreciated on a straight-line basis over the useful life or lease term, whichever is shorter.

The lease payments comprise of interest expense recognised as finance costs in the consolidated statement of comprehensive income and repayments of the lease liability that are calculated by the interest method.

The Group does not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The Group recognises the lease payments associated with these leases as expense on straight-line basis over the lease term or other systematic basis.

Right-of-use assets are included in 'Property, plant and equipment—net' and 'Intangible assets' in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. Lease liabilities are included in 'Interest-bearing long-term debt' and 'Interest-bearing short-term debt' in the consolidated statement of financial position.

As a lessor, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

At the commencement date, the asset held under a finance lease is recognised on the consolidated statement of financial position and presented as a receivable at an amount equal to the net investment in the lease.

The assets held under an operating lease are on the consolidated statement of financial position and the lease payments received are recognised as income on a straight-line basis over the lease term in the consolidated statements of comprehensive income.

(7) Intangible assets

The Group uses the cost model for measuring intangible assets. Intangible assets are carried at cost less accumulated amortisation and impairment losses.

① Intangible assets acquired separately and/or acquired in a business combination

Intangible assets acquired separately are carried at cost at initial recognition. Intangible assets acquired in a business combination are recognised separately from goodwill at their fair value at the acquisition date, when they are satisfied with the definition of intangible assets, identifiable, and their fair value is reasonably measured.

② Internally-generated intangible assets—research and development (“R&D”) costs

Expenditures on research activities are recognised as expense in the period in which they are incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the followings have been demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet all of the recognition criteria listed above. The assets are amortised over the estimated period in which the development costs are expected to be recovered. If no future economic benefit is expected before the end of the life of assets, the residual carrying amount is expensed.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and impairment losses. Where no internally-generated intangible asset can be recognised, development costs are recognised as an expense in the period in which they are incurred.

③ Amortisation of intangible assets

Amortisation is recognised on a straight-line basis over the estimated useful lives below. The Group does not have any intangible assets with indefinite useful lives.

Technology: 5-20 years

Customer related assets: 5-16 years

Software: 3-5 years

④ Derecognition of intangible assets

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

(8) Goodwill

Goodwill arising from the acquisition of a business is recognised as an asset at the date that control is acquired (i.e., the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the acquisition-date amounts of the net fair value of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortised but is reviewed for impairment at least annually. Goodwill is recorded at cost less accumulated impairment losses on the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in subsequent periods. Upon disposal of a cash-generating unit, goodwill attributed to the unit is included in the determination of the profit or loss upon disposal.

The Group's accounting policy for goodwill arising on the acquisition of an associate is described at "(2) Basis of consolidation – ② Investments in associates" above.

(9) Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

Where a reasonable and consistent basis of allocation can be identified, corporate assets (i.e., assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units) are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or cash-generating unit) in prior years. A reversal of impairment losses is recognised immediately in profit or loss.

(10) Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

(11) Financial assets other than derivative financial instruments

① Initial recognition and measurement

Financial assets are classified as “financial assets measured at amortised cost,” “financial assets measured at fair value through other comprehensive income” (“FVTOCI”) or “financial assets measured at fair value through profit or loss” (“FVTPL”). The classification is determined at the time of initial recognition

The Group recognises a financial asset on the trade date when it becomes party to the contract of the financial asset.

All financial assets are measured at the fair value plus transaction costs, except for FVTPL.

② Financial assets measured at amortised cost

Such financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, “Financial assets measured at amortised cost” are measured at amortised cost by using the effective interest method, less the cumulative amount of impairment losses.

③ Financial assets classified as FVTOCI

Such financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The change in fair value is recognised in other comprehensive income.

The fair value of a particular asset in an equity instrument for which the Group makes an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in its fair value is recognised in other comprehensive income.

④ Financial assets classified as FVTPL

Any other securities not included in the classifications above are classified into financial assets measured at fair value through profit or loss. The change in fair value is recognised in profit or loss.

⑤ Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on “financial assets measured at amortised cost”.

The Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. For trade receivables, the Group always measures the loss allowance at an amount equal to the lifetime expected credit losses. The Group assesses the expected credit losses by using the change in the risk of a default or ageing of trade receivables, etc. The impairment of financial assets is recognised in profit or loss.

⑥ Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and a collateralised borrowing for the proceeds received.

(12) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for the inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Costs, including purchase costs, process costs, storage costs and all other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories mainly by the weighted-average method. The production costs include an appropriate portion of fixed and variable overhead expenses.

(13) Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and bank deposits including short-term investments. The short-term investments with original maturities of three months or less are deemed as cash equivalents since they are readily convertible to cash without restriction and with low risk of fluctuation of values.

(14) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised after their classification.

(15) Treasury shares

The Group's own equity instruments, which are reacquired (i.e., treasury shares), are recognised at cost and deducted from equity. No gain or loss is recognised on the purchase, disposal or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration given is recognised in other capital reserves.

(16) Share-based payments

Equity-settled share-based payments (i.e., stock options), which are incentive plans to the Group's directors, officers and certain employees, are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 22 "Share-based payments".

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period while the corresponding amount to other capital reserves is recognised, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other capital reserves.

(17) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's board of directors.

(18) Financial liabilities issued by the Group excluding derivative instruments

① Financial liabilities

Financial liabilities are classified as either financial liabilities classified as FVTPL or financial liabilities measured at amortised cost. This classification is determined at initial recognition.

② Financial liabilities classified as FVTPL

Financial liabilities classified as FVTPL are either held for trading or designated as FVTPL at initial recognition. They are measured at fair value, and the subsequent changes are recognised in profit or loss.

③ Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are measured at fair value minus transaction costs at initial recognition. After the initial recognition, they are measured at amortised cost by using the effective interest method. The gain or loss on cease of amortisation or derecognition is recognised in profit or loss as part of financial costs.

④ Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

⑤ Financial guarantee contracts

Financial guarantee contracts are initially measured at their fair values and subsequently measured at the higher of:

- the amount of loss allowance for expected credit losses, as determined in accordance with IFRS 9, "Financial Instruments"; and
- the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15, "Revenue from Contracts with Customers".

(19) Retirement benefit costs

For defined benefit plans, the cost of providing retirement benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (other than interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains or losses on curtailments and settlements);
- Net interest expense or income; or
- Remeasurement.

The Group presents the first two components of defined benefit cost in profit or loss as "Employee benefits expense" or "Finance costs".

The retirement benefit liabilities recognised in the consolidated statement of financial position represent the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service to the Group.

(20) Provisions and contingent liabilities assumed in a business combination

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation by outflow of resources embodying economic benefits, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period (i.e., future cash outflow), taking into account the risks and uncertainties surrounding the obligation.

Where time value of money is material, a provision is measured at the present value to which estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the obligation. Interest cost associated with the passage of time is recognised as finance cost.

The types of provisions are as follows:

① Asset retirement obligation

The Group recognises provisions for an asset retirement obligation for estimated costs arising from a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, and estimated costs to decontaminate certain fixed assets. An asset retirement obligation is provided based on past experience of actual cost and each asset is considered individually. The discount rate depends on the useful life of the corresponding assets and the country in which such assets are located. Future expected timing of outflow of economic benefits is mainly more than one year from each reporting period.

② Warranties provision

Warranties provision is estimated and recognised based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period. Expected outflow of economic benefits in the future is within one year from each reporting period.

③ Contingent liabilities assumed in a business combination

Contingent liabilities resulting from a business combination are initially measured at fair value at the date of acquisition. Subsequent to initial recognition, such contingent liabilities are remeasured considering expected future payments, possible occurrence and timing of payments at each reporting period.

(21) Revenue

The Group recognises revenue based on the five-step approach below:

Step 1: Identify the contracts with customers

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: Recognise revenue when the entity satisfies a performance obligation

The Group sells health care related products, medical related products, electronics related products, imaging related products, etc. and recognises revenue when the control of products is transferred to the customer and the performance obligation is satisfied by the Group on the shipping or delivery date. For service contracts such as maintenance contracts for medical related products, revenue is recognised equally over the contract period because the performance obligation is considered to be satisfied over time. Revenue is measured at the transaction price of the consideration received or receivable less discount, rebate and consumption taxes.

(22) Government grants

Government grants are measured and recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants associated with an expense are recognised as revenue in the same accounting period when the expense is incurred. Government grants for purchase of assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

(23) Income taxes

Income tax expense represents the sum of the current tax and deferred tax. Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised directly in other comprehensive income or equity, or where they arise from the initial accounting for a business combination.

The current tax is calculated based on estimated refund or payment from/to taxation authorities. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period based on the taxable profit or loss for the Group's operating activity in each country.

Deferred tax is provided using the asset and liability method on temporary differences, tax loss carryforwards and tax credits at the reporting date.

Deferred tax assets or liabilities are not recognised for:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect either accounting profit or taxable profit (excluding business combinations)
- Taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same tax authority.

In the case of a business combination, the tax effect is included in the accounting for the business combination when measuring the amount of goodwill or determining negative goodwill.

(24) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by adjusting profit or loss attributable to ordinary equity holders of the parent and the weighted-average number of ordinary shares outstanding, for the effect of all potential dilutive ordinary shares.

(25) Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

4. Critical accounting judgements and key sources of estimation uncertainty

(1) Application of estimates and judgements

Preparation of consolidated financial statements requires management to make estimates and judgements in order to determine the reported amounts of certain assets, liabilities, income and expense items. As the impact of the novel coronavirus on items that require estimates and judgements was limited in the consolidated fiscal year, a reasonable estimate was made based on the assumption that impact on the following consolidated fiscal year and beyond will also be limited.

The following are items that require estimates and judgements and are considered significant:

- Determination of net realisable value of obsolete inventory (Note 14 “Inventories”)
- Expected cash flow from overdue trade and other receivables (Note 21 “Financial instruments”)
- Useful lives of property, plant and equipment, right-of-use assets and intangible assets (Note 3 “Significant accounting policies”, (5) “Property, plant and equipment”, (6) “Leases” and (7) “Intangible assets”)
- Lease period of right-of-use assets (Note 3 “Significant accounting policies”, (6) “Leases”)
- Assumptions used to estimate future cash flows of cash-generating units to assess the recoverability of property, plant and equipment and intangible assets, including goodwill (Note 9 “Impairment losses”)
- Financial asset measured at fair value (Note 21 “Financial instruments”)
- Recoverability of suspense payments of income taxes (Note 11 “Deferred taxes and income taxes” and Note 13 “Other assets and liabilities”)
- Recoverability of deferred tax assets (Note 11 “Deferred taxes and income taxes”)
- Assumptions used for treatment of retained earnings of overseas subsidiaries and associates for tax purposes (Note 11 “Deferred taxes and income taxes”)
- Assumptions used to calculate retirement benefit obligations (Note 17 “Retirement benefit plans”)
- Asset retirement obligations arising from legal obligations and constructive obligations (Note 18 “Provisions”)
- Fair value of stock options (Note 22 “Share-based payments”)

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions of accounting estimates will affect current and/or future periods.

(2) Key sources of risk and estimation uncertainty

The Group’s financial position, financial performance and cash flows are exposed to the following risks and uncertainties:

- Tough competition and excess supply of inventory in markets in which the Group operates
- Development of new products and timing of development
- Changes in the political, economic and regulatory environment, shortage of labour, labour strikes, natural disasters, pandemic and impacts of unexpected international affairs in the countries in which the Group is located and operates
- The effect of deferred taxes and income taxes on transactions between locations in different tax jurisdictions with different tax rates, or transactions between taxable and tax-exempt businesses (including discrepancies in opinion between the Company and the tax authority)
- Fluctuations of currency exchange rates
- The trend of environmental and governmental regulations

Global economic stagnation and the occurrence of natural disasters may have a significant impact on future profitability of the Group. Future profitability of the Group may affect the estimates for the following:

- Impairment of property, plant and equipment and intangible assets including goodwill (Note 9 “Impairment losses”)
- Recoverability of deferred tax assets (Note 11 “Deferred taxes and income taxes”)

5. Operating segment information

(1) Overview of major products and services of reportable segments

Reportable segments are components of the Group for which separate financial information is obtained and examined on a regular basis by the board of directors and the chief operating decision maker to determine the allocation of management resources and evaluate the business performance.

In accordance with its management philosophy, the Group has categorised “life and culture” and “information technology” as its business domains. To achieve sustainable growth in corporate value in these business domains, the Group has been making decisions on the allocation of management resources and monitoring the operating results.

As a result, the Group consists of three reportable business segments: Life Care business, Information Technology business and Other business, which are consistent with the above business domains.

In the Life Care business, the Group produces and sells health care related products that are used routinely in health maintenance fields, and medical related products including medical equipment and medical supplies used in medical treatment. Some unique features of this business segment are that approvals and permits are required from relevant authorities in each country and that advanced technological strength and reliable quality control systems are the key requirement.

In the Information Technology business, the Group produces and sells essential items for digital devices. Included are electronics related products that are indispensable for today's digital information and communication technology, and imaging related products that are necessary to capture images as digital data based on optical technologies.

Other business includes the business that provides mainly speech synthesis software and information system services.

The main products and services for each reportable segment described above are as follows:

Reportable Segment		Major Products and Services
Life Care	Health Care related products	Eyeglass lenses and Contact lenses
	Medical related products	Medical endoscopes, Medical accessories, Automated endoscope reprocessors (AERs), Intraocular lenses, Ophthalmic medical equipment, Artificial bone, Metallic implants for orthopedics
Information Technology	Electronics related products	Photomasks and Maskblanks for semiconductors, Photomasks for FPD, Glass disks for hard disk drives (HDDs)
	Imaging related products	Optical lenses, Optical glass material, Laser equipment, Light source
Other		Speech synthesis software, Design of information systems

(2) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 "Significant accounting policies".

(Millions of Yen)						
For the year ended 31 March 2021	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	341,801	200,965	5,154	547,921	—	547,921
Inter-segment sales	165	79	1,162	1,406	(1,406)	—
Total	341,965	201,045	6,317	549,327	(1,406)	547,921
Interest income	295	633	0	928	616	1,544
Interest expense	(1,120)	(360)	(2)	(1,482)	757	(725)
Depreciation and amortisation	(23,806)	(11,566)	(412)	(35,784)	(553)	(36,336)
Share of profit (loss) of associates	72	5	—	78	(446)	(369)
Impairment losses	(7,803)	(363)	—	(8,166)	—	(8,166)
Others	(246,058)	(94,489)	(5,098)	(345,645)	994	(344,651)
Segment profit before tax	63,544	94,905	806	159,256	(38)	159,218
Other disclosure						
Capital expenditure	12,644	27,053	188	39,886	207	40,093

Note:

Adjustments to segment profit before tax of (38) million yen for the year ended 31 March 2021 consist of elimination of inter-segment transactions of (23) million yen, and profit or loss of the Company's headquarters, the R&D department and overseas holding companies (after elimination of dividend income from Group companies) of (15) million yen.

(Millions of Yen)						
For the year ended 31 March 2022	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	407,549	248,403	5,514	661,466	—	661,466
Inter-segment sales	3	82	822	906	(906)	—
Total	407,552	248,485	6,336	662,372	(906)	661,466
Interest income	309	539	7	855	852	1,707
Interest expense	(1,065)	(259)	(1)	(1,325)	481	(844)
Depreciation and amortisation	(24,784)	(17,339)	(376)	(42,499)	(520)	(43,019)
Share of profit (loss) of associates	126	5	—	131	(176)	(45)
Impairment losses	(1,078)	—	—	(1,078)	—	(1,078)
Others	(294,790)	(108,545)	(2,980)	(406,315)	(1,166)	(407,481)
Segment profit before tax	86,269	122,886	2,986	212,141	(1,435)	210,706
Other disclosure						
Capital expenditure	19,550	14,081	64	33,695	740	34,435

(Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2022	Life Care	Information Technology	Other	Total	Adjustments	Consolidated
Revenue from external customers	3,329,921	2,029,602	45,051	5,404,574	—	5,404,574
Inter-segment sales	22	667	6,715	7,404	(7,404)	—
Total	3,329,943	2,030,269	51,766	5,411,978	(7,404)	5,404,574
Interest income	2,521	4,407	54	6,982	6,965	13,947
Interest expense	(8,700)	(2,117)	(9)	(10,826)	3,928	(6,898)
Depreciation and amortisation	(202,504)	(141,669)	(3,069)	(347,242)	(4,250)	(351,491)
Share of profit (loss) of associates	1,033	37	—	1,070	(1,434)	(364)
Impairment losses	(8,810)	—	—	(8,810)	—	(8,810)
Others	(2,408,612)	(886,875)	(24,349)	(3,319,835)	(9,527)	(3,329,362)
Segment profit before tax	704,872	1,004,052	24,394	1,733,318	(11,722)	1,721,596
Other disclosure						
Capital expenditure	159,734	115,049	527	275,310	6,048	281,358

Note:

Adjustments to segment profit before tax of (1,435) million yen ((11,722) thousand U.S. dollars) for the year ended 31 March 2022 consist of profit or loss of the Company's headquarters, the R&D department and overseas holding companies (after elimination of dividend income from Group companies) of (1,435) million yen ((11,722) thousand U.S. dollars).

(3) Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services for the years ended 31 March 2021 and 2022:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Life Care			
Health Care related products	251,626	299,823	2,449,732
Medical related products	90,175	107,726	880,189
Life Care total	341,801	407,549	3,329,921
Information Technology			
Electronics related products	171,887	209,726	1,713,587
Imaging related products	29,078	38,677	316,016
Information Technology total	200,965	248,403	2,029,602
Other	5,154	5,514	45,051
Corporate (R&D)	—	—	—
Total revenue from external customers	547,921	661,466	5,404,574

(4) Information about geographical areas

Revenue from external customers

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Japan	144,680	164,663	1,345,392
U.S.A.	68,378	83,342	680,953
Singapore	57,640	77,401	632,415
China	47,804	62,825	513,315
Taiwan	34,697	44,068	360,062
Others	194,722	229,168	1,872,437
Total	547,921	661,466	5,404,574

Note:

Geographical areas are based on the location of the customers.

The amount of non-current assets in Taiwan is insignificant; therefore, it is included in Others.

Non-current assets

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
U.S.A.	56,470	59,817	488,741
Japan	35,310	33,798	276,149
Singapore	22,979	21,997	179,728
Laos	21,541	21,837	178,424
China	15,974	21,678	177,122
Others	85,528	86,006	702,718
Total	237,802	245,133	2,002,881

Note:

(i) Geographical areas are based on the physical location of non-current assets.

(ii) Financial instruments, deferred tax assets, and pension plan assets are not included.

Revenue from external customers in Laos is insignificant; therefore, it is included in Others.

(5) Information about major customers

Information Technology segment has a customer group who contributed 10% or more to the consolidated revenue for the year ended March 31, 2022. The revenue recognised from the customer group is 51,627 million yen for the year ended 31 March 2021 and 67,813 million yen (554,074 thousand U.S. dollars) for the year ended 31 March 2022.

6. Property, plant and equipment

The following are the cost, accumulated depreciation, impairment losses and carrying amount of property, plant and equipment:

(Millions of Yen)

Cost	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 1 April 2020	98,951	284,225	64,586	8,860	36,815	30,087	523,524
Additions	502	1,011	1,486	—	31,110	5,016	39,124
Acquisitions through business combinations	—	3	—	—	—	135	138
Disposals (i)	(2,066)	(5,680)	(1,611)	(725)	(41)	(2,995)	(13,118)
Transfer from construction in progress	12,328	24,873	2,194	—	(39,395)	—	—
Effect of foreign currency exchange differences	3,630	9,996	3,304	182	624	886	18,622
Others	(132)	(2,128)	537	(22)	(674)	(66)	(2,485)
Balance at 31 March 2021	113,213	312,299	70,495	8,296	28,440	33,063	565,805
Additions	414	2,207	1,942	—	20,452	8,401	33,416
Acquisitions through business combinations	34	242	12	—	—	—	287
Disposals (i)	(313)	(5,033)	(3,218)	(45)	(62)	(4,812)	(13,483)
Transfer from construction in progress	2,451	22,638	3,126	65	(28,280)	—	—
Effect of foreign currency exchange differences	6,698	16,811	4,801	163	1,129	1,557	31,159
Others	(436)	(5,873)	1,112	—	1,210	14	(3,974)
Balance at 31 March 2022	122,061	343,290	78,271	8,478	22,888	38,222	613,210

(Millions of Yen)

<u>Accumulated depreciation and impairment losses</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 1 April 2020	(68,473)	(253,767)	(40,537)	(1,082)	(43)	(7,320)	(371,222)
Depreciation expense	(4,025)	(15,393)	(4,516)	—	—	(7,244)	(31,179)
Impairment losses (ii)	(0)	(408)	—	—	(23)	—	(431)
Disposals (i)	1,949	5,559	1,244	128	23	2,415	11,319
Effect of foreign currency exchange differences	(2,359)	(8,721)	(2,010)	—	(3)	(331)	(13,424)
Others	(52)	3,069	891	—	45	136	4,088
Balance at 31 March 2021	(72,961)	(269,661)	(44,929)	(954)	(1)	(12,343)	(400,848)
Depreciation expense	(4,087)	(20,989)	(4,713)	—	—	(7,689)	(37,477)
Impairment losses (ii)	—	(83)	(39)	—	(7)	(13)	(143)
Disposals (i)	271	4,961	2,322	38	—	4,269	11,861
Effect of foreign currency exchange differences	(3,918)	(14,067)	(2,698)	—	(0)	(635)	(21,319)
Others	134	3,778	522	—	—	(55)	4,379
Balance at 31 March 2022	(80,561)	(296,061)	(49,535)	(916)	(8)	(16,466)	(443,546)

(Millions of Yen)

<u>Carrying amount</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 1 April 2020	30,478	30,458	24,049	7,778	36,772	22,767	152,302
Balance at 31 March 2021	40,252	42,638	25,567	7,342	28,438	20,720	164,957
Balance at 31 March 2022	41,501	47,230	28,736	7,561	22,880	21,756	169,665

(Thousands of U.S. Dollars (Note 2))

<u>Cost</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 31 March 2021	925,016	2,551,672	575,989	67,780	232,368	270,143	4,622,968
Additions	3,387	18,031	15,867	—	167,104	68,638	273,027
Acquisitions through business combinations	278	1,974	95	—	—	—	2,347
Disposals (i)	(2,555)	(41,126)	(26,292)	(370)	(506)	(39,314)	(110,163)
Transfer from construction in progress	20,027	184,968	25,545	527	(231,067)	—	—
Effect of foreign currency exchange differences	54,728	137,358	39,226	1,331	9,226	12,718	254,587
Others	(3,565)	(47,987)	9,089	—	9,884	111	(32,468)
Balance at 31 March 2022	997,316	2,804,889	639,520	69,268	187,010	312,296	5,010,299

(Thousands of U.S. Dollars (Note 2))

<u>Accumulated depreciation and impairment losses</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 31 March 2021	(596,136)	(2,203,293)	(367,093)	(7,794)	(9)	(100,848)	(3,275,173)
Depreciation expense	(33,391)	(171,490)	(38,506)	—	—	(62,821)	(306,209)
Impairment losses (ii)	—	(680)	(322)	—	(54)	(109)	(1,166)
Disposals (i)	2,217	40,537	18,976	307	—	34,877	96,915
Effect of foreign currency exchange differences	(32,015)	(114,938)	(22,046)	—	(0)	(5,187)	(174,186)
Others	1,094	30,869	4,265	—	—	(447)	35,782
Balance at 31 March 2022	(658,230)	(2,418,994)	(404,727)	(7,486)	(64)	(134,535)	(3,624,037)

(Thousands of U.S. Dollars (Note 2))

<u>Carrying amount</u>	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Construction in progress	Right-of-use assets	Total
Balance at 31 March 2022	339,086	385,895	234,793	61,782	186,945	177,761	1,386,262

Note:

(i) Gain and loss arising from the sale or disposal of property, plant and equipment for the years ended 31 March 2021 and 2022, are set out in Note 24 “Revenue and expenses (excluding finance income and costs)”. Gain and loss on sale of assets held for sale are included in ‘gain on sale of property, plant and equipment’ and ‘loss on sale of property, plant and equipment’ in Note 24.

(ii) Details of impairment losses are set out in Note 9 “Impairment losses”.

(iii) Property, plant and equipment under construction are included in “construction in progress” in the table above.

Details of commitments for the acquisition of property, plant and equipment are set out in Note 33 “Commitments for expenditure”.

There is no borrowing cost capitalised and included in the cost of acquisition of property, plant and equipment.

The following are carrying amounts for property, plant and equipment and intangible assets under Right-of-use assets:

(Millions of Yen)

Right-of-use assets	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Others	Total
Balance at 31 March 2021	15,525	909	704	3,583	—	20,720
Balance at 31 March 2022	16,534	934	451	3,837	3	21,759

(Thousands of U.S. Dollars (Note 2))

Right-of-use assets	Buildings and structures	Machinery and carriers	Tools, equipment and fixtures	Land	Others	Total
Balance at 31 March 2022	135,095	7,635	3,682	31,349	23	177,785

7. Leases

(Lessee)

As a lessee, the Group leases buildings mainly for offices and stores. Certain lease contracts include renewals or options and escalation clauses (clauses that increase the lease contract amount). There are no restrictions imposed by lease contracts (such as restrictions on dividends, additional borrowings and additional leases).

Details of expenses relating to leases are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Depreciation of right-of-use assets			
Buildings and structures	6,185	6,605	53,964
Machinery and carriers	562	559	4,564
Tools, equipment and fixtures	334	352	2,873
Land	163	174	1,420
Software	1	2	13
Total	7,245	7,690	62,834
Interest expense on lease liabilities	338	338	2,763
Expense relating to short-term leases	1,307	1,397	11,414
Expense relating to leases of low-value assets	437	454	3,711
Expense relating to variable lease payments (Note)	628	885	7,230

(Note) The expense is not included in the measurement of lease liabilities.

Expense relating to variable lease payments is linked with sales revenue stipulated in the lease contracts of the store operated in shopping center, etc.

Depreciation of right-of-use assets is included in the line item 'Depreciation and amortisation', interest expense on lease liabilities is in 'Finance costs' and expenses relating to short-term leases, leases of low-value assets and variable lease payments are in 'Other expenses' in the consolidated statement of comprehensive income.

For the year ended 31 March 2021 and 2022, total cash outflows for leases are 9,644 million yen and 10,953 million yen (89,491 thousand U.S. dollars) for each period.

A maturity analysis of lease liabilities is set out in Note 21 "Financial instruments".

(Lessor)

① Finance leases

The Group leases its products and merchandises as a lessor.

Profit from finance lease contracts is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Finance income on the net investment in the lease	47	42	342

A maturity analysis of the receivable under finance lease contracts is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Not later than one year	436	535	4,372
Later than one year but not later than two years	334	420	3,436
Later than two years but not later than three years	261	331	2,706
Later than three years but not later than four years	158	221	1,810
Later than four years but not later than five years	81	114	931
Later than five years	121	200	1,632
Total	1,391	1,822	14,887
Unearned finance income	(66)	(78)	(640)
Net investment on the lease	1,324	1,744	14,247

8. Goodwill and intangible assets

The following are the cost, accumulated amortisation, impairment losses and carrying amount of goodwill and intangible assets:

(Millions of Yen)

Cost	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others (i)	Total
Balance at 1 April 2020	49,430	23,193	20,762	30,400	6,413	80,767
Additions	—	865	—	—	104	969
Acquisitions through business combinations	28	—	—	805	—	805
Disposals	—	(182)	—	(292)	(808)	(1,282)
Effect of foreign currency exchange differences	180	838	579	136	194	1,747
Others	23	(202)	2	(6)	11	(195)
Balance at 31 March 2021	49,661	24,511	21,343	31,043	5,915	82,811
Additions	—	873	—	—	147	1,020
Acquisitions through business combinations	551	2	—	1,351	59	1,412
Disposals	—	(222)	(4)	—	(3)	(229)
Effect of foreign currency exchange differences	5,576	819	2,058	3,237	526	6,640
Others	(0)	(789)	(48)	(221)	30	(1,027)
Balance at 31 March 2022	55,788	25,194	23,348	35,411	6,674	90,626

(Millions of Yen)

Accumulated amortisation and impairment losses	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 1 April 2020	(7,348)	(18,687)	(7,194)	(10,811)	(4,280)	(40,971)
Amortisation expense (ii)	—	(1,113)	(1,458)	(2,189)	(398)	(5,158)
Impairment losses (iii)	(7,732)	(4)	—	—	—	(4)
Disposals	—	172	—	292	801	1,265
Effect of foreign currency exchange differences	1,107	(629)	(251)	171	(118)	(827)
Others	—	0	—	—	(8)	(7)
Balance at 31 March 2021	(13,973)	(20,260)	(8,902)	(12,537)	(4,002)	(45,702)
Amortisation expense (ii)	—	(1,167)	(1,548)	(2,496)	(331)	(5,542)
Impairment losses (iii)	(178)	(4)	(184)	(433)	(136)	(758)
Disposals	—	215	4	—	—	220
Effect of foreign currency exchange differences	(1,990)	(668)	(975)	(1,536)	(378)	(3,557)
Others	—	172	(0)	221	87	480
Balance at 31 March 2022	(16,141)	(21,712)	(11,605)	(16,781)	(4,760)	(54,859)

(Millions of Yen)

Carrying amount	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 1 April 2020	42,082	4,506	13,567	19,589	2,133	39,796
Balance at 31 March 2021	35,688	4,252	12,440	18,506	1,912	37,110
Balance at 31 March 2022	39,648	3,482	11,743	18,630	1,913	35,768

(Thousands of U.S. Dollars (Note 2))

Cost	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others (i)	Total
Balance at 31 March 2021	405,760	200,270	174,383	253,640	48,326	676,619
Additions	—	7,134	—	—	1,197	8,331
Acquisitions through business combinations	4,502	16	—	11,038	482	11,537
Disposals	—	(1,817)	(36)	—	(21)	(1,874)
Effect of foreign currency exchange differences	45,561	6,688	16,812	26,452	4,297	54,249
Others	(0)	(6,443)	(390)	(1,802)	245	(8,390)
Balance at 31 March 2022	455,824	205,849	190,769	289,328	54,527	740,472

(Thousands of U.S. Dollars (Note 2))

Accumulated amortisation and impairment losses	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 31 March 2021	(114,165)	(165,533)	(72,738)	(102,437)	(32,703)	(373,410)
Amortisation expense (ii)	—	(9,537)	(12,651)	(20,395)	(2,700)	(45,283)
Impairment losses (iii)	(1,454)	(36)	(1,506)	(3,534)	(1,114)	(6,190)
Disposals	—	1,760	36	—	—	1,796
Effect of foreign currency exchange differences	(16,260)	(5,460)	(7,964)	(12,550)	(3,088)	(29,062)
Others	—	1,406	(0)	1,802	712	3,920
Balance at 31 March 2022	(131,879)	(177,399)	(94,824)	(137,113)	(38,893)	(448,229)

(Thousands of U.S. Dollars (Note 2))

Carrying amount	Goodwill	Intangible assets				
		Software	Technology	Customer related assets	Others	Total
Balance at 31 March 2022	323,945	28,450	95,946	152,214	15,634	292,244

Note:

(i) There were no significant internally generated intangible assets for the years ended 31 March 2021 and 2022.

(ii) Amortisation expense is included in the line item 'Depreciation and amortisation' in the consolidated statement of comprehensive income.

(iii) Details of impairment losses are set out in Note 9 "Impairment losses".

No intangible assets have been pledged as collateral to secure the debt. There is no restriction on legal title of these assets. Details of commitments for the acquisition of intangible assets are set out in Note 33 "Commitments for expenditure".

Details of intangible assets in the consolidated statement of financial position are as follows:

		As at 31 March 2021		As at 31 March 2022		
		Carrying amount (Millions of Yen)	Remaining useful lives (Years)	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars (Note 2))	Remaining useful lives (Years)
Technology	Health Care related products	1,522	7	1,391	11,363	6
	Medical related products	10,853	8	10,333	84,428	7
Customer related assets	Health Care related products	11,850	9	12,726	103,980	8
	Medical related products	4,915	12	4,323	35,323	11

9. Impairment losses

The following are the details of impairment losses recognised.

Impairment losses have been included in the line item ‘Impairment losses’ in the consolidated statement of comprehensive income.

	(Millions of Yen) For the year ended 31 March 2021	(Millions of Yen) For the year ended 31 March 2022	(Thousands of U.S. Dollars (Note 2)) For the year ended 31 March 2022
Buildings and structures	0	—	—
Machinery and equipment	408	83	680
Tools, equipment and fixtures	—	39	322
Construction in progress	23	7	54
Right-of-use assets	—	13	109
Total impairment losses on property, plant and equipment	431	143	1,166
Goodwill	7,732	178	1,454
Software	4	4	36
Technology	—	184	1,506
Customer related assets	—	433	3,534
Others	—	136	1,114
Total impairment losses on intangible assets	4	758	6,190
Total impairment losses	8,166	1,078	8,810

(1) Cash-generating units

The Group identifies each strategic business unit (“SBU”) as a cash-generating unit for impairment testing purposes. Each business unit has been set based on the production and sale of product lines. For any asset expected to be sold or disposed, or any idle asset, the asset is individually tested for impairment.

(2) Impairment losses on assets in business units

For the year ended 31 March 2021

As a result of impairment test for the goodwill in Life Care business which the Group performed during the year ended 31 March 2021, the Group recognised impairment losses on goodwill of two companies.

For one of these companies, which is located in the U.S.A and operates in medical endoscopes business, the book value of the asset group was reduced to the recoverable amount and an impairment loss of ¥2,984 million was recognised due to expected delays in the timing of the introduction of new products to the market and the difficulty in achieving the plan at the time of acquisition because of the impact of the novel coronavirus and other factors. The recoverable amount of the asset group is measured at the value in use, and cash flows projections are discounted to the present value using the pre-tax weighted-average cost of capital (WACC) of the SBU, 5.5%.

For another company, which is also located in the U.S.A and operates in ophthalmic medical equipment business, its profitability was originally high, and sales and profits were extremely favorable at the time of the acquisition. However, in the current situation, its performance is sluggish due to decrease in customer sales and inventory adjustments triggered by the impact of the novel coronavirus, etc. and there are many uncertainties during the slow recovery. As a result, the book value of this asset group was reduced to the recoverable amount and an impairment loss of ¥4,747 million was recognised. The recoverable amount is measured at the value in use, and cash flows projections are discounted to the present value using the pre-tax WACC of the SBU, 6.7%.

	(Millions of Yen)
	Impairment losses
Life Care	
Medical related products (Medical endoscopes)	
Goodwill	2,984
Medical related products (Ophthalmic medical equipment)	
Goodwill	4,747
Total	7,732

For the year ended 31 March 2022

In Life Care business, the book value of the asset group was reduced to the recoverable amount and the corresponding impairment loss of ¥1,078 million (8,810 thousand U.S. dollars) was recognised in European subsidiaries due to the decision on withdrawal from production and sales of a certain ophthalmic medical equipment. The recoverable amount of the asset group was measured at fair value less related selling costs, which is mainly based on market approach and categorised within Level 3 of the fair value hierarchy as it contains unobservable inputs such as third party's valuation.

	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	Impairment losses	Impairment losses
Life Care		
Medical related products (Ophthalmic medical equipment)		
Property, plant and equipment		
Machinery and carriers	83	680
Tools, equipment and fixtures	39	322
Construction in progress	7	54
Right-of-use assets	13	109
Total impairment losses on property, plant and equipment	143	1,166
Goodwill	178	1,454
Intangible assets		
Software	4	36
Technology	184	1,506
Customer related assets	433	3,534
Others	136	1,114
Total impairment losses on intangible assets	758	6,190
Total	1,078	8,810

(3) Impairment losses on idle assets

For the year ended 31 March 2021, the carrying amount of the related assets, which were not expected to be used in the future due to business restructuring, was written down to the recoverable amount which was measured at fair value less related selling costs, and the corresponding impairment loss was recognised. The fair value is mainly based on market approach and categorised within Level 3 of the fair value hierarchy as it contains unobservable inputs such as third party's valuation.

Impairment losses were recognised as follows for the year ended 31 March 2021:

	(Millions of Yen)
	Impairment losses
Life Care	
Machinery and carriers	68
Software	4
Life Care Total	72
Information Technology	
Buildings and structures	0
Machinery and carriers	340
Construction in progress	23
Information Technology Total	363
Total	434

For the year ended 31 March 2022, no impairment loss was recognised on the assets that were not expected to be used in the future due to business restructuring.

(4) Goodwill allocated to cash-generating units

When the recoverable amount of the goodwill specifically associated with a cash-generating unit is lower than the carrying amount of such goodwill, an impairment loss is recognised and the goodwill is written down to the recoverable amount. The recoverable amount of goodwill allocated to cash-generating units was measured at the value in use and it was determined using cash flow projections based on the financial budgets that had been approved by the Group's management and applying a discount rate of 5.9% to 18.1% per annum which is the cash-generating units' pre-tax WACC. Cash flow projections during the budgeted period are based on the expected gross margins and taking into account inflation. The cash flows beyond the budget period have been extrapolated using a steady annum growth rate which is the projected long-term average growth rate for the main products market. Management believes that any reasonably possible change in the key assumptions (e.g., profit ratio, inflation, the projected long-term average growth rate and the pre-tax WACC) on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The carrying amount of goodwill was allocated to the cash-generating units as follows:

(Millions of Yen)

As at 31 March 2021				
	Life Care		Other	Total
	Health Care related products	Medical related products		
	Eyeglass lenses	Medical accessories		
Japan	842	733	—	1,575
Americas	26,308	5,483	—	31,791
Europe	663	834	547	2,045
Asia	278	—	—	278
Total	28,091	7,050	547	35,688

(Millions of Yen)

As at 31 March 2022				
	Life Care		Other	Total
	Health Care related products	Medical related products		
	Eyeglass lenses	Medical accessories		
Japan	812	733	—	1,545
Americas	29,151	6,444	—	35,595
Europe	749	879	577	2,205
Asia	303	—	—	303
Total	31,016	8,055	577	39,648

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2022				
	Life Care		Other	Total
	Health Care related products	Medical related products		
	Eyeglass lenses	Medical accessories		
Japan	6,632	5,987	—	12,620
Americas	238,181	52,649	—	290,831
Europe	6,124	7,180	4,711	18,015
Asia	2,480	—	—	2,480
Total	253,417	65,817	4,711	323,945

10. Investments in associates

A summary of the Group's associates, which are not individually significant, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2021	As at / for the year ended 31 March 2022	As at / for the year ended 31 March 2022
The Group's share of net income (loss)	(369)	(45)	(364)
The Group's share of other comprehensive income (loss)	(144)	142	1,163
The Group's share of comprehensive income (loss)	(513)	98	799
The Group's share of net assets	661	930	7,600

Details of the Group's major associates, which are not individually significant, are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Segment	Ownership interest (%)	
				As at 31 March 2021	As at 31 March 2022
AVANSTRATE, INC.	Production and sale of glass substrate for thin film transistor (TFT) liquid crystal	JAPAN	Corporate	46.6	46.6
EYE-Q VISION PRIVATE LIMITED	Medical services related to ophthalmology	INDIA	Corporate	24.3	24.3
HTK LENTES OFTALMICAS LTDA	Sale of optical lens	BRAZIL	Life Care	36.2	35.9
JIASHAN CANDEO OPTICAL GLASS CO., LTD.	Production and sale of special glass, such as coloured glass	CHINA	Information Technology	49.0	49.0

The Group's unrecognised share of loss on associates is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at / for the year ended 31 March 2021	As at / for the year ended 31 March 2022	As at / for the year ended 31 March 2022
The Group's unrecognised share of net loss	2,341	—	—
The Group's unrecognised share of accumulated net loss	16,736	16,662	136,139

11. Deferred taxes and income taxes

(1) Deferred taxes

Details of deferred tax assets and liabilities are as follows:

(Millions of Yen)

	As at 1 April 2020	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 March 2021
Temporary differences				
Enterprise tax payable	693	(12)	—	681
Write-down of inventories	1,450	82	—	1,532
Allowance for doubtful accounts	411	140	—	551
Provisions	1,147	293	—	1,440
Accrued expenses	3,575	(633)	—	2,943
Unrealised profit on inventories	2,887	(107)	—	2,780
Depreciation and amortisation	2,126	390	—	2,517
Impairment losses	592	(84)	—	508
Exchange differences on translating foreign operations	(75)	—	(78)	(153)
Lease liabilities	2,772	(96)	—	2,677
Others	2,638	176	(17)	2,798
Subtotal	18,216	150	(94)	18,273
Undistributed retained earnings of subsidiaries	(3,852)	(1,258)	—	(5,110)
Depreciation and amortisation	(8,319)	560	—	(7,759)
Right-of-use assets	(2,948)	127	—	(2,822)
Financial assets measured at fair value through other comprehensive income	(507)	—	(2,546)	(3,052)
Others	(414)	(1,001)	—	(1,416)
Subtotal	(16,040)	(1,573)	(2,546)	(20,158)
Tax loss carryforwards and tax credits				
Tax loss carryforwards	1,915	573	—	2,488
Tax credits	47	(32)	—	15
Subtotal	1,962	542	—	2,504
Total	4,139	(881)	(2,640)	618

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 11 “Deferred taxes and income taxes” (2) Income taxes is due to foreign exchange fluctuations.

(Millions of Yen)

	As at 1 April 2021	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 March 2022
Temporary differences				
Enterprise tax payable	681	218	—	899
Write-down of inventories	1,532	80	—	1,613
Allowance for doubtful accounts	551	(51)	—	499
Provisions	1,440	53	—	1,493
Accrued expenses	2,943	431	—	3,373
Unrealised profit on inventories	2,780	1,244	—	4,024
Depreciation and amortisation	2,517	116	—	2,633
Impairment losses	508	(82)	—	426
Exchange differences on translating foreign operations	(153)	—	(11)	(165)
Lease liabilities	2,677	312	—	2,989
Others	2,798	1,316	(52)	4,062
Subtotal	18,273	3,637	(63)	21,846
Undistributed retained earnings of subsidiaries	(5,110)	(2,508)	—	(7,618)
Depreciation and amortisation	(7,759)	(784)	—	(8,543)
Right-of-use assets	(2,822)	(340)	—	(3,162)
Financial assets measured at fair value through other comprehensive income	(3,052)	—	(781)	(3,832)
Others	(1,416)	(361)	—	(1,776)
Subtotal	(20,158)	(3,993)	(781)	(24,932)
Tax loss carryforwards and tax credits				
Tax loss carryforwards	2,488	(400)	—	2,088
Tax credits	15	1	—	16
Subtotal	2,504	(399)	—	2,104
Total	618	(756)	(844)	(981)

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 11 “Deferred tax and income taxes” (2) Income taxes is due to foreign exchange fluctuations.

(Thousands of U.S. Dollars (Note 2))

	As at 1 April 2021	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 March 2022
Temporary differences				
Enterprise tax payable	5,564	1,784	—	7,348
Write-down of inventories	12,521	654	—	13,175
Allowance for doubtful accounts	4,498	(417)	—	4,081
Provisions	11,764	431	—	12,195
Accrued expenses	24,045	3,518	—	27,563
Unrealised profit on inventories	22,715	10,166	—	32,880
Depreciation and amortisation	20,563	948	—	21,512
Impairment losses	4,150	(673)	—	3,477
Exchange differences on translating foreign operations	(1,251)	—	(93)	(1,344)
Lease liabilities	21,872	2,547	—	24,419
Others	22,859	10,755	(424)	33,190
Subtotal	149,299	29,714	(517)	178,496
Undistributed retained earnings of subsidiaries	(41,752)	(20,492)	—	(62,244)
Depreciation and amortisation	(63,397)	(6,404)	—	(69,801)
Right-of-use assets	(23,054)	(2,782)	—	(25,836)
Financial assets measured at fair value through other comprehensive income	(24,936)	—	(6,377)	(31,313)
Others	(11,567)	(2,946)	—	(14,513)
Subtotal	(164,705)	(32,624)	(6,377)	(203,706)
Tax loss carryforwards and tax credits				
Tax loss carryforwards	20,330	(3,269)	—	17,061
Tax credits	126	5	—	131
Subtotal	20,456	(3,264)	—	17,192
Total	5,050	(6,175)	(6,894)	(8,019)

Note:

The difference between the total amount of “Recognised in profit or loss” as above and “Deferred tax expenses” in Note 11 “Deferred taxes and income taxes” (2) Income taxes is due to foreign exchange fluctuations.

Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognised are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Tax loss carryforwards	10,680	14,640	119,617
Deductible temporary differences	4,739	5,475	44,734
Total	15,419	20,115	164,351

The expiration date and amounts of tax loss carryforwards for which deferred tax assets are not recognised are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Year 1	459	1,439	11,760
Year 2	566	210	1,712
Year 3	377	1,104	9,022
Year 4	435	1,281	10,466
Year 5 or later	8,843	10,606	86,657
Total	10,680	14,640	119,617

The aggregate amounts of temporary differences associated with undistributed retained earnings of the subsidiaries for which deferred tax liabilities have not been recognised at 31 March 2021 and 2022, were 393,353 million yen and 370,329 million yen (3,025,811 thousand U.S. dollars) for each period. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

(2) Income taxes

In Japan, the normal effective statutory tax rates are 30.5% for each of the years ended 31 March 2021 and 2022.

Current or deferred taxes in other tax jurisdictions are calculated by the tax rates generally applied to those tax jurisdictions.

Details of current tax expense and deferred tax expense are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Current tax expense: (i)			
Current year	32,055	45,064	368,202
Prior years	177	(323)	(2,638)
Total current tax expense	32,233	44,741	365,564
Deferred tax expense: (ii)			
Origination and reversal of temporary difference	1,651	401	3,279
Changes in tax rates	114	241	1,972
Total deferred tax expense	1,765	643	5,251
Total income tax expense	33,997	45,384	370,814
Continuing operations	33,997	45,384	370,814
Discontinued operations	—	—	—

Note:

(i) “Current tax expense” includes previously unrecognised tax benefits from tax loss carryforwards, tax credits and deductible temporary differences. These benefits were 169 million yen and 641 million yen (5,233 thousand U.S. dollars) for the years ended 31 March 2021 and 2022 for each period.

(ii) “Deferred tax expense” includes previously unrecognised tax benefits from tax loss carryforwards, tax credits, deductible temporary differences, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. These effects increased the deferred tax expense by 381 million yen and 66 million yen (542 thousand U.S. dollars) for the years ended 31 March 2021 and 2022, for each period.

(iii) On 26 June 2013, the Company received a reassessment notice from the Tokyo Regional Taxation Bureau (“TRTB”) for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the five financial years ended 31 March 2007 to 2011. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law.

On 29 March 2018, the Company received a written verdict from the National Tax Tribunal (the “Tribunal”), which partially cancels the reassessments. The Company disagrees with the remaining findings of the Tribunal’s verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities. Consequently, the paid amount of 7,916 million yen (71,505 thousand U.S. dollars) is included in “Other current assets” as a suspense payment.

On 27 June 2018, the Company received a reassessment notice from TRTB for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the three financial years ended 31 March 2012, 2013 and 2014. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law.

On November 11, 2020, the Company received a written verdict from the Tribunal, which partially cancels the reassessments. The Company disagrees with the remaining findings of the Tribunal’s verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities. Consequently, the paid amount of 4,544 million yen is included in “Other current assets” as a suspense payment.

On 29 June 2021, the Company received a reassessment notice from the TRTB for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the four financial years ended 31 March 2015 to 2018. The Company disagrees with the findings of the reassessment notice and expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities. Consequently, the paid amount of 8,000million yen (65,365 thousand U.S. dollars) is included in “Other current assets” as a suspense payment.

A reconciliation of the normal effective statutory tax rate with the actual tax rate is as follows. The actual tax rate represents the ratio of income tax expense and profit before tax from continuing operations.

	For the year ended 31 March 2021	For the year ended 31 March 2022
Effective statutory tax rate	30.5%	30.5%
Expenses not deductible for tax purposes	1.3%	0.5%
Income not taxable for tax purposes	(0.4%)	(0.1%)
Effect of unrecognised deferred tax assets	(0.0%)	0.0%
Impact of different tax rates applied to overseas subsidiaries	(12.0%)	(12.8%)
Profits and losses on investments in associates	0.2%	0.0%
Adjustment on deferred tax assets and liabilities due to the change of corporate tax rate	(0.0%)	0.0%
Tax rate difference due to the elimination of unrealised profit on inventories	0.2%	0.0%
Increase/decrease in deferred tax liabilities related to undistributed earnings of foreign subsidiaries	0.8%	1.2%
Prior year income taxes	0.1%	(0.2%)
Foreign withholding tax arising from dividends from subsidiaries	0.6%	1.1%
Others	0.1%	1.3%
Actual tax rate	21.4%	21.5%

There was no effect on income tax resulting from dividends paid to shareholders.

12. Other financial assets and liabilities

(1) Details of other financial assets and liabilities

Details of other financial assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Other financial assets			
Other financial assets measured at amortised cost	16,760	19,304	157,724
FVTOCI financial assets	39,141	41,997	343,137
Total	55,902	61,300	500,861
Total non-current assets (long-term financial assets)	52,005	54,078	441,847
Total current assets (other short-term financial assets)	3,897	7,223	59,014

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Other financial liabilities			
FVTPL financial liabilities	96	101	828
Other financial liabilities measured at amortised cost	24,376	24,409	199,434
Total	24,472	24,510	200,262
Total non-current liabilities (other long-term financial liabilities)	21,874	23,863	194,979
Total current liabilities (other short-term financial liabilities)	2,598	647	5,282

(2) Details of FVTOCI financial assets

Details of FVTOCI financial assets are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
KIOXIA Holdings Corporation	35,507	38,941	318,171

The asset above is designated as FVTOCI because its profit or loss is not related to the business profit or loss, while there is a possibility of selling it in the future.

(3) Derecognition of FVTOCI financial assets

The Group derecognises FVTOCI financial assets when they are partially sold, considering the capital efficiency, reconsideration of business relationships and so on.

Details of fair value and cumulative gain or loss in other comprehensive income at the time of selling in the year ended 31 March 2021 and 2022 are as follows:

Fair value			Cumulative gain or loss		
(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
23	219	1,789	11	157	1,282

Cumulative gain or loss in other comprehensive income is transferred to retained earnings when FVTOCI assets are derecognised. The amount of cumulative other comprehensive income or loss (after deduction of tax) which was transferred to retained earnings were 10 million yen and 109 million yen (889 thousand U.S. dollars) in the year ended 31 March 2021 and 2022.

Details of dividends income recognised from equity instruments are as follows:

Derecognised investment			Investment held as at end of fiscal year		
(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
—	—	—	8	11	90

13. Other assets and liabilities

Details of other assets and liabilities are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Non-current: Other assets			
Long-term prepaid expenses	404	488	3,985
Others	393	201	1,640
Total	797	688	5,625
Current: Other assets			
Suspense payment (Note)	12,460	20,460	167,174
Prepaid expenses	3,057	3,114	25,439
Refundable consumption taxes	1,831	2,207	18,031
Others	2,608	2,416	19,741
Total	19,956	28,197	230,386

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Non-current: Other liabilities			
Deposit received and long-term advance revenue, etc.	1,455	2,262	18,482
Total	1,455	2,262	18,482
Current: Other liabilities			
Accrued salary/bonus/vacation pay	16,292	18,763	153,304
Other accrued expenses	21,055	24,749	202,213
Advance received/deferred revenue	5,045	5,312	43,404
Accrued consumption taxes	1,678	2,132	17,421
Others	1,872	1,357	11,084
Total	45,942	52,312	427,425

Note:

On 26 June 2013, the Company received a reassessment notice from the TRTB for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the five financial years ended 31 March 2007 to 2011. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law.

On 29 March 2018, the Company received a written verdict from the Tribunal, which partially cancels the reassessments. The Company disagrees with the remaining findings of the Tribunal's verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities. Consequently, the paid amount of 7,916 million yen is included in "Other current assets" as a suspense payment.

On 27 June 2018, the Company received a reassessment notice from the TRTB for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the three financial years ended 31 March 2012, 2013 and 2014. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law.

On 11 November 2020, the Company received a written verdict from the Tribunal, which partially cancels the reassessments. The Company disagrees with the remaining findings of the Tribunal's verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities. Consequently, the paid amount of 4,544 million yen is included in "Other current assets" as a suspense payment.

On 29 June 2021, the Company received a reassessment notice from the TRTB for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the four financial years ended 31 March 2015 to 2018. The Company disagrees with the findings of the reassessment notice and expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities. Consequently, the paid amount of 8,000 million yen (65,365 thousand U.S. dollars) is included in “Other current assets” as a suspense payment.

14. Inventories

Details of inventories are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Goods and products	37,122	45,274	369,917
Work in progress	9,412	10,872	88,827
Raw materials	18,075	22,203	181,408
Supplies	12,758	13,093	106,975
Total	77,367	91,441	747,127
Inventories expected to be sold after more than 12 months	46	36	291

The cost of inventories recognised as an expense during the years ended 31 March 2021 and 2022, was 235,558 million yen and 283,675 million yen (2,317,795 thousand U.S. dollars) for each period.

The cost of inventories recognised as an expense in respect of write-down and the reversal of such write-down is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Amount of write-down	2,163	1,439	11,755
Amount of reversal of write- down	—	—	—

The reversal of write-down was due to an increase in net realisable value, as a result of an increase in new orders with positive sales activities.

15. Trade and other receivables

Details of trade and other receivables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Accounts receivable	111,226	127,580	1,042,403
Notes receivable and electronically recorded monetary claims-operating	5,427	5,557	45,408
Other receivables	3,395	4,002	32,696
Allowance for doubtful accounts	(2,797)	(2,965)	(24,226)
Total	117,251	134,174	1,096,281

The credit terms for customers are set between 30 days and 90 days for health care related products, between 15 days and 120 days for medical related products, between 10 days and 90 days for electronics related products, between 30 days and 180 days for imaging related products, and between 45 days and 60 days for other business products.

Refer to Note 21 “Financial instruments” for credit risk management and fair value of trade and other receivables.

16. Interest-bearing debt

Details of interest-bearing debt are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	Average interest rate (%) (i)	Due
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022		
Long-term bank loans (excluding current portion)	995	1,043	8,521	2.49%	2024-2035
Current portion of long-term bank loans	23	22	179	—	—
Short-term bank loans	855	655	5,352	1.23%	—
Long-term lease liabilities	12,239	12,720	103,928	1.80%	2024-2049
Short-term lease liabilities	6,638	7,160	58,499	1.64%	—
Total Interest-bearing debt	20,749	21,599	176,479		
Total Interest-bearing long-term debt	13,234	13,763	112,449		
Total Interest-bearing short-term debt	7,515	7,837	64,030		

Note:

(i) Interest rates are based on the weighted-average rates that applied to the balances at the end of each fiscal year.

The obligations under leases are secured by the leased assets for which the lessor has ownership.

There is no debt with covenants as at 31 March 2022.

Details of the remaining contractual maturity for long-term borrowings and its fair values are set out in Note 21 “Financial instruments”.

The changes in liabilities arising from financial activities are as follows:

	As at 1 April 2020	Cash flow	Non-cash changes			As at 31 March 2021
			Change of scope of consolidation	Exchange differences on translation of foreign operations	Others	
Short-term bank loans	864	(27)	—	18	—	855
Long-term bank loans	253	718	—	46	—	1,017
lease liabilities	20,848	(7,273)	135	625	4,541	18,877
Total	21,966	(6,582)	135	690	4,541	20,749

	As at 1 April 2021	Cash flow	Non-cash changes		As at 31 March 2022
			Exchange differences on translation of foreign operations	Others	
Short-term bank loans	855	(200)	—	—	655
Long-term bank loans	1,017	(23)	70	—	1,065
Lease liabilities	18,877	(8,217)	662	8,558	19,879
Total	20,749	(8,440)	732	8,558	21,599

(Thousands of U.S. Dollars (Note 2))

	As at 1 April 2021	Cash flow	Non-cash changes		As at 31 March 2022
			Exchange differences on translation of foreign operations	Others	
Short-term bank loans	6,986	(1,634)	—	—	5,352
Long-term bank loans	8,313	(187)	575	—	8,700
lease liabilities	154,233	(67,136)	5,406	69,923	162,427
Total	169,532	(68,957)	5,981	69,923	176,479

17. Retirement benefit plans

The Group has contributory defined contribution plans and defined benefit plans, and non-contributory defined benefit plans. The accounting policies adopted by the Group for retirement benefit plans are stated in Note 3 “Significant accounting policies (19) Retirement benefit costs”.

The Company and its domestic subsidiaries mainly have defined contribution plans. Overseas subsidiaries have benefit plans required by the local laws and regulations of each country. Unless a defined benefit plan is required by the laws of the country in which the overseas subsidiaries operate, a defined contribution plan has been put into place. The plan in the U.K. represents a substantial portion of the pension plans of the Group, where it is the closed plan that stopped new registrations. Management believes that general risks, such as investment, credit and salary risks are not significant in the plan.

The Group does not have retirement benefit plans other than pension plans and lump-sum retirement allowances.

(1) Defined benefit plans

The amounts included in the consolidated statement of financial position arising from the Group’s obligations in respect of its defined benefit plans are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Present value of funded defined benefit obligation	7,575	8,322	67,997
Fair value of plan assets	(4,399)	(4,584)	(37,455)
Total	3,176	3,738	30,542
Effect of changes to the asset ceiling	65	11	93
Net liability arising from defined benefit plans obligations	3,241	3,749	30,636
Balance in the consolidated statement of financial position			
Liability	3,248	3,766	30,767
Asset (Other non-current assets)	7	18	146

Amounts recognised in the consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Service cost			
Current service cost	572	479	3,917
Past service cost	274	434	3,547
Net interest expense	59	115	938
Components of defined benefit costs recognised in profit or loss	906	1,028	8,402
Remeasurement of net defined benefit liability			
Return on plan assets	(178)	99	806
Actuarial gains and losses arising from changes in demographic assumptions	(59)	19	157
Actuarial gains and losses arising from changes in financial assumptions	178	(330)	(2,692)
Actuarial gains and losses arising from experience adjustments	(219)	(22)	(180)
Adjustments for restrictions on the defined benefit asset	(4)	(56)	(459)
Components of defined benefit costs recognised in other comprehensive income	(280)	(290)	(2,368)
Total	626	739	6,034

Service cost and net interest expense are included in 'Employee benefits expense' and 'Finance costs' in the consolidated statement of comprehensive income.

Movements in the present value of the defined benefit obligations are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Beginning balance	7,036	7,575	61,891
Current service cost	572	479	3,917
Interest cost	129	195	1,590
Remeasurement (gains)/losses			
Actuarial gains and losses arising from changes in demographic assumptions	(59)	19	157
Actuarial gains and losses arising from changes in financial assumptions	178	(330)	(2,692)
Actuarial gains and losses arising from experience adjustments	(219)	(22)	(180)
Past service cost	274	434	3,547
Decrease due to settlements	(151)	(29)	(236)
Benefits paid	(882)	(463)	(3,780)
Effect of foreign currency exchange differences	694	463	3,783
Ending balance	7,575	8,322	67,997

Movements in the present value of the plan assets are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Beginning balance	3,889	4,399	35,939
Interest income	75	80	651
Remeasurement gain (loss)			
Return on plan assets (excluding amounts included in net interest expense)	178	(99)	(806)
Contributions from the employer	329	324	2,648
Benefits paid	(580)	(363)	(2,964)
Effect of foreign currency exchange differences	508	243	1,986
Ending balance	4,399	4,584	37,455

Movements in the effect of changes to the asset ceiling are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Beginning balance	56	65	531
Interest cost	5	—	—
Remeasurement gain (loss)			
Effect of changes in the asset ceiling	(4)	(56)	(459)
Effect of foreign currency exchange differences	8	3	21
Ending balance	65	11	93

The fair values of major categories of plan assets as at 31 March 2021 and 2022, are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Cash and cash equivalents	1,481	1,027	8,388
Equity instruments - Foreign equity instruments	1,402	1,061	8,670
Debt instruments - Foreign governmental bonds	5	6	45
Debt instruments - Foreign bonds	765	743	6,075
Others	746	1,747	14,277
Total	4,399	4,584	37,455

The fair values of financial instruments are measured at quoted market price in active markets. No transferable instrument is included in plan assets.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at 31 March 2021	As at 31 March 2022
Discount rate	2.2%	2.8%

The Group believes there is no material impact on the operating results, financial positions and cash flows due to the defined benefit plan of the Group, including the amount, timing and uncertainty of future cash flows.

(2) Defined contribution plans

The total expense recognised was 2,414 million yen and 2,538 million yen (20,735 thousand U.S. dollars) for the years ended 31 March 2021 and 2022 for each period.

(3) Severance payments

Under certain circumstances (such as retirement before the predetermined retirement date), additional payments are made upon retirement. The total expense recognised was 3,696 million yen and 629 million yen (5,143 thousand U.S. dollars) for the years ended 31 March 2021 and 2022 for each period.

18. Provisions

Details of provisions are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Asset retirement obligation	2,604	2,699	22,049
Warranties provision	1,144	1,446	11,818
Total	3,748	4,145	33,867
Non-current liabilities	2,587	2,671	21,820
Current liabilities	1,161	1,474	12,047

An analysis of the change in provisions is as follows:

	(Millions of Yen)		
	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2021	2,604	1,144	3,748
Provision for the year	53	528	581
Interest cost associated with passage of time	17	—	17
Reduction resulting from settlement for the year	(45)	(331)	(376)
Reduction due to business transfer	(23)	—	(23)
Effect of foreign currency exchange differences	93	105	198
Balance at 31 March 2022	2,699	1,446	4,145

	(Thousands of U.S. Dollars (Note 2))		
	Asset retirement obligation	Warranties provision	Total
Balance at 1 April 2021	21,275	9,347	30,621
Provision for the year	432	4,318	4,750
Interest cost associated with passage of time	142	—	142
Reduction resulting from settlement for the year	(371)	(2,701)	(3,073)
Reduction due to business transfer	(190)	—	(190)
Effect of foreign currency exchange differences	762	855	1,617
Balance at 31 March 2022	22,049	11,818	33,867

Note:

Refer to Note 3 “Significant accounting policies (20) Provisions and contingent liabilities assumed in a business combination” for details of each provision.

19. Trade and other payables

Details of trade and other payables are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Accounts payable	31,893	39,165	319,998
Notes payable, trade	6,159	6,668	54,485
Processing cost payable	876	955	7,801
Other payables	18,105	14,610	119,372
Notes payable for capital investment	321	586	4,788
Total	57,354	61,984	506,444

Trade notes payable are due 120 days.

Accounts payable are due 30 to 60 days from the invoice date in Asia except for Japan, and due 30 to 150 days from the invoice date in Japan. Accounts payable in Europe and the U.S.A. are mainly payables related to intragroup transactions; thus, upon consolidation, these trade accounts payable are eliminated. The Group arranges cash pooling for Japan, Europe and the U.S.A. to ensure that all payables are paid within the agreed-upon credit terms.

20. Share capital and other equity items

(1) Share capital and capital reserves

	Number of authorised shares (Ordinary shares with no par value)	Number of issued shares (Ordinary shares with no par value)	Number of outstanding shares (Ordinary shares with no par value)	Share capital (Millions of Yen)	Capital reserves (Millions of Yen)	Share capital (Thousands of U.S. Dollars (Note 2))	Capital reserves (Thousands of U.S. Dollars (Note 2))
Balance at 1 April 2020	1,250,519,400	378,351,220	374,999,784	6,264	15,899	51,182	129,901
Decrease (i), (ii)	—	5,518,000	5,693,985	—	—	—	—
Balance at 31 March 2021	1,250,519,400	372,833,220	369,305,799	6,264	15,899	51,182	129,901
Decrease (i), (ii)	—	3,131,200	4,197,505	—	—	—	—
Balance at 31 March 2022	1,250,519,400	369,702,020	365,108,294	6,264	15,899	51,182	129,901

Note:

(i) Decrease in number of issued shares is due to cancellation of treasury shares.

(ii) Increase or decrease in number of outstanding shares is due to increase or decrease in treasury shares.

(2) Treasury shares and other capital reserves

① Treasury shares

	Numbers of shares	Amount (Millions of Yen)
Balance at 1 April 2020	3,351,436	27,963
Repurchase of treasury shares	6,015,800	76,664
Cancellation of treasury shares	(5,518,000)	(57,762)
Repurchase of odd-lot shares	585	7
Decrease on exercise of stock options	(322,400)	(3,312)
Balance at 31 March 2021	3,527,421	43,560
Repurchase of treasury shares	4,345,500	65,757
Cancellation of treasury shares	(3,131,200)	(39,093)
Repurchase of odd-lot shares	409	6
Disposal of odd-lot shares	(4)	(0)
Decrease on exercise of stock options	(148,400)	(1,921)
Balance at 31 March 2022	4,593,726	68,310

	Numbers of shares	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2021	3,527,421	355,913
Repurchase of treasury shares	4,345,500	537,278
Cancellation of treasury shares	(3,131,200)	(319,410)
Repurchase of odd-lot shares	409	52
Disposal of odd-lot shares	(4)	(0)
Decrease on exercise of stock options	(148,400)	(15,698)
Balance at 31 March 2022	4,593,726	558,135

② Other capital reserves

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
Balance at 1 April 2020	(10,043)	2,804	(1,189)	(8,428)
Repurchase of treasury shares	—	—	(4)	(4)
Disposal of treasury shares	(1,731)	(276)	—	(2,007)
Share-based payments (i)	—	86	—	86
Balance at 31 March 2021	(11,774)	2,614	(1,194)	(10,354)
Repurchase of treasury shares	—	—	(0)	(0)
Disposal of treasury shares	(1,178)	(136)	—	(1,314)
Share-based payments (i)	—	98	—	98
Balance at 31 March 2022	(12,952)	2,576	(1,194)	(11,570)

	Gain (loss) on disposal of treasury shares	Stock option (i)	Others	Total
	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2021	(96,201)	21,357	(9,752)	(84,595)
Repurchase of treasury shares	—	—	(3)	(3)
Disposal of treasury shares	(9,629)	(1,110)	—	(10,739)
Share-based payments (i)	—	803	—	803
Balance at 31 March 2022	(105,830)	21,050	(9,755)	(94,535)

(i) Refer to Note 22 “Share-based payments” for details of share-based payments (stock option).

(3) Retained earnings and dividends

	Amount (Millions of Yen)
Balance at 1 April 2020	676,058
Profit for the year (attributable to owners of the Company)	125,446
Cancellation of treasury shares	(57,762)
Dividends	(33,741)
Transfer to retained earnings from other comprehensive income	274
Balance at 31 March 2021	710,274
Profit for the year (attributable to owners of the Company)	164,507
Cancellation of treasury shares	(39,093)
Dividends	(33,220)
Transfer to retained earnings from other comprehensive income	347
Balance at 31 March 2022	802,815

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2021	5,803,367
Profit for the year (attributable to owners of the Company)	1,344,121
Cancellation of treasury shares	(319,410)
Dividends	(271,430)
Transfer to retained earnings from other comprehensive income	2,834
Balance at 31 March 2022	6,559,482

Details of dividends are as follows:

Date of resolution	Dividends per share (Yen)	Dividends per share (U.S. Dollars (Note 2))	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars (Note 2))	Record date	Effective date
20 May 2020	45	0.37	16,875	137,879	31 March 2020	8 June 2020
27 October 2020	45	0.37	16,866	137,806	30 September 2020	30 November 2020
28 May 2021	45	0.37	16,619	135,785	31 March 2021	1 June 2021
28 October 2021	45	0.37	16,602	135,645	30 September 2021	30 November 2021
26 May 2022	65	0.53	23,732	193,905	31 March 2022	1 June 2022

Dividends payable are included in the line item 'Other short-term financial liabilities' in the consolidated statement of financial position.

(4) Non-controlling interests

	Amount (Millions of Yen)
Balance at 1 April 2020	(15,777)
Profit for the year, attributable to non-controlling interests	(225)
Other comprehensive income	413
Balance at 31 March 2021	(15,589)
Profit for the year, attributable to non-controlling interests	815
Other comprehensive income	(125)
Dividends	(89)
Increase due to share issuance to non-controlling interests	164
Increase due to liquidation of subsidiaries	27
Balance at 31 March 2022	(14,795)

	Amount (Thousands of U.S. Dollars (Note 2))
Balance at 31 March 2021	(127,367)
Profit for the year, attributable to non-controlling interests	6,660
Other comprehensive income	(1,019)
Dividends	(724)
Increase due to share issuance to non-controlling interests	1,342
Increase due to liquidation of subsidiaries	221
Balance at 31 March 2022	(120,887)

21. Financial instruments

(1) Capital risk management

The Group manages its capital for continuous growth and to maximise the corporate value of the Group.

The net debt and equity of the Group are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Interest-bearing debt	20,749	21,599	176,479
Less: Cash and cash equivalents	334,897	419,404	3,426,786
Net debt	(314,148)	(397,805)	(3,250,307)
Equity	672,412	789,056	6,447,059

In order to maximise the corporate value of the Group, cash flows have been a priority of the Group management. As at 31 March 2021 and 2022, the Group maintained cash and cash equivalent balances in excess of interest-bearing debt balances. The Group is not subject to any externally imposed capital regulations as at 31 March 2022.

Details of interest-bearing debt and equity are described in Note 16 “Interest-bearing debt” and Note 20 “Share capital and other equity items”, respectively.

(2) Significant accounting policies

Accounting policies and criteria for recognition of financial assets, financial liabilities, basis of measurement and recognition of income and expenses are described in Note 3 “Significant accounting policies”.

(3) Categories of financial instruments

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Financial assets			
Financial assets measured at amortised cost			
Trade and other receivables	117,251	134,174	1,096,281
Other financial assets (ii)	16,760	19,304	157,724
FVTOCI financial assets (iv)			
Other financial assets (ii)	39,141	41,997	343,137
Cash and cash equivalents	334,897	419,404	3,426,786
Financial liabilities			
FVTPL financial liabilities (v)			
Trade and other payables	133	—	—
Other financial liabilities (iii)	96	101	828
Financial liabilities measured at amortised cost			
Trade and other payables	57,221	61,984	506,444
Interest-bearing debt	20,749	21,599	176,479
Other financial liabilities (iii)	24,376	24,409	199,434

Note:

- (i) The items above are not included in discontinued operations and disposal groups held for sale. The Group does not have derivative instruments designated as hedging instruments. Likewise, the Group does not have financial assets or financial liabilities using the fair value option.
- (ii) Other financial assets are included in 'Long-term financial assets' or 'Other short-term financial assets' in the consolidated statement of financial position.
- (iii) Other financial liabilities are included in 'Other long-term/short-term financial liabilities' in the consolidated statement of financial position.
- (iv) FVTOCI financial assets mainly consist of unlisted shares.
- (v) FVTPL financial liabilities mainly consist of contingent considerations resulting from business combinations.
- (vi) Financial assets or liabilities to be offset as at 31 March 2021 and 2022, are immaterial.

(4) Financial risk management

In its operations, the Group is exposed to various financial risks. The Group undertakes risk management steps to minimise the effects of these financial risks. In an effort to manage these risks, the Group's risk management approach is to eliminate the sources of these risks or to minimise the risks that are not avoidable.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. In certain cases, the Group obtains additional borrowings from financial institutions to react to temporary cash shortages or uses forward foreign exchange contracts to sustain cash flows. The above financial risks are managed by the financial department of the Group.

(5) Market risk management

The Group is exposed to risks arising from changes in the economic environment and financial markets. The factors of the risk relating to financial markets are fluctuation risk of foreign currency exchange rates, interest rates, and fair value of equity instruments.

① Foreign currency risk

1) Foreign currency risk management

As the Group's businesses have expanded globally, foreign exchange fluctuations, in particular from the Thai Baht, the Euro and the U.S. dollar, have a significant impact on the Group's financial results. If the Japanese yen appreciates against these currencies, both sales and profit stated in the Japanese yen might decrease even though sales and profits stated in local currencies have increased.

The Group intends to marry major currencies the Group uses (i.e., Euro, U.S. dollar and Yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. In contrast, as the Company has multiple SBUs and conducts its own finance and dividend payments to the Company's shareholders, and the holding companies under the Company receive dividends from their subsidiaries and distribute them to the Company and/or other group companies, the Group's foreign currency-dominated balances in receivables, liabilities and/or bank deposits may not fully offset each other. This might cause significant gains or losses on foreign exchange differences when the Yen appreciates or depreciates against the U.S. dollar or the Euro, or when the Euro appreciates or depreciates against the U.S. dollar.

2) Foreign currency sensitivity analysis

The chart below shows the impact on profit and equity of a 1% appreciation of the Yen against the Thai Baht, the Euro and the U.S. dollar with the assumption that the exchange rates for other currencies are constant.

	For the year ended 31 March 2021	For the year ended 31 March 2022
Average exchange rate (Yen per each currency)		
Thai Baht	3.42	3.45
Euro	124.07	131.11
U.S. dollar	105.94	113.04
Impact on profit for the year (Millions of Yen)		
Thai Baht	(206)	(257)
Euro	(62)	(66)
U.S. dollar	(325)	(463)
Impact on equity (Millions of Yen)		
Thai Baht	(340)	(441)
Euro	(319)	(363)
U.S. dollar	(527)	(912)

	For the year ended 31 March 2022
Impact on profit for the year (Thousands of U.S. Dollars (Note 2))	
Thai Baht	(2,102)
Euro	(541)
U.S. dollar	(3,784)
Impact on equity (Thousands of U.S. Dollars (Note 2))	
Thai Baht	(3,603)
Euro	(2,967)
U.S. dollar	(7,449)

Note:

Numbers in parentheses are the amounts of negative impact on profit and equity resulting from a 1% appreciation of the Yen. The amounts above represent the impact on the consolidated financial statements of the Group resulting from foreign currency conversion and not the impact on the Group's cash flows or operations themselves.

Likewise, the tables below show the impact of a 1% appreciation of functional currencies of the Company and its holding company within the Group on their receivables/liabilities and bank deposits denominated in foreign currencies on the assumption that exchange rates for other currencies are constant. The information about the holding companies with immaterial risk is not included in the tables below.

2)-1. Parent company (the Company)

(Millions of Yen)

	Euro		U.S. dollar	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
Trade and other receivables	(22)	(35)	(79)	(105)
Trade and other payables	1	1	13	21
Short-term financial assets	(0)	(0)	(0)	(0)
Cash and cash equivalents	(3)	(4)	(39)	(52)
Total	(23)	(38)	(105)	(136)

(Thousands of U.S. Dollars (Note 2))

	Euro	U.S. dollar
	31 March 2022	31 March 2022
Trade and other receivables	(283)	(856)
Trade and other payables	6	168
Short-term financial assets	(0)	(1)
Cash and cash equivalents	(33)	(425)
Total	(310)	(1,114)

Note:

Numbers in parentheses are the amounts of negative impact on profit and equity resulting from a 1% appreciation of the Yen. A 1% depreciation of the Yen has a positive impact in the same amount.

Intercompany receivables/payables are included in the calculation of the impact as they cause foreign exchange gain or loss in the process of translation.

2)-2. Holding company (Europe)

(Millions of Yen)

	Yen		U.S. dollar	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
Cash and cash equivalents	(0)	(0)	(1)	(4)
Total	(0)	(0)	(1)	(4)

(Thousands of U.S. Dollars (Note 2))

	Yen	U.S. dollar
	31 March 2022	31 March 2022
Cash and cash equivalents	(0)	(36)
Total	(0)	(36)

Note:

Numbers in parentheses are the amounts of negative impact on profit and equity resulting from a 1% appreciation of the Euro. A 1% depreciation of the Euro has a positive impact in the same amount.

Intercompany receivables/payables are included in the calculation of the impact as they cause foreign exchange gain or loss in the process of translation.

3) Currency derivatives

The Group's policy prohibits the use of derivative instruments such as forward foreign exchange contracts, except in certain circumstances in which the use of such derivatives is determined to be beneficial. In such case, the Group can enter into contracts upon obtaining formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its Group headquarters approval process.

In order to economically hedge foreign currency exposures on intercompany receivables, payables and dividends, forward foreign exchange contracts are occasionally entered into. In these cases, the same approval policy as that stated above is adhered to.

Details of the forward foreign exchange contracts at the end of each reporting period are as follows:

(Millions of Yen)

For the year ended 31 March 2021	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value
N/A				

(Millions of Yen)

(Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2022	Average exchange rate	Foreign currency (mil)	Notional amount	Fair value	Notional amount	Fair value
N/A						

② Interest rate risk management

The Group's cash and cash equivalents exceed the interest-bearing debt, and currently, the impact of interest expense on the Group's profit/loss is immaterial. Therefore, the Group considers the interest rate risk to be immaterial and has not performed sensitivity analyses such as Basis Point Value.

③ Price risks management in equity instruments

The Group is exposed to equity price risks arising from equity instruments (i.e., listed shares). These investments are held from a viewpoint of business strategy, not for short-term trading purposes. The Group does not sell these investments frequently and the Group periodically reviews the fair value of these instruments as well as the financial condition of investees.

The sensitivity analysis has been based on the exposure to the price of equity instruments (listed shares) at the end of the reporting period. If equity prices increase or decrease by 5%, accumulated other comprehensive income (pre-tax) would change by 101 million yen and 46 million yen (377 thousand U.S. dollars) as at 31 March 2021 and 2022 for each period as a result of changes in fair value of the equity instruments.

(6) Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group manages its credit risk by setting credit limits that are approved by the authorised personnel of each SBU.

The main customers for the Information Technology business are globalised companies that have relatively large-scale and stable financial conditions. In contrast, credit losses were incurred on a sporadic basis in the Life Care business as those products were sold to relatively small and diversified customers, such as end consumers, retailers, and medical institutions. Accordingly, no significant credit losses were incurred in the past. A division in the Life Care business that sells goods to medical institutions and operates wholesale businesses in certain countries has some past-due receivables due to the financial conditions of those medical institutions or customers. Credit limits have been set for those customers to minimise the loss from a failure to collect the receivables.

Trade receivables consist of a large number of customers across a diverse range of industries and geographical areas. The Group has neither significant credit risk exposure for a specific customer or customer group categorised by similarity, nor concentration of credit risk over 5% of total financial assets as at 31 March 2022.

The carrying amounts after impairment presented in the consolidated financial statements are the maximum exposure for the Group's credit risk without considering the appraised value of the related collateral.

The Group continuously monitors the financial status of customers that appear to represent a credit risk in collecting receivables, including restructured receivables. Based on this monitoring, the Group sets the allowance for doubtful accounts considering the collectability of the receivables.

Each financial asset should be recognised as a credit-impaired financial asset if the debtor claims legal proceedings such as bankruptcy, company reorganization, civil rehabilitation and special liquidation in cases of overdue payments despite performance by enforcement. The Group directly writes off an asset by reducing the total carrying amount in cases where collection of contractual cashflow is not reasonably expected, entirely or partially.

Impaired or past-due financial assets

The following table provides the ageing details of the financial assets not yet due and the financial assets past-due but not impaired at the end of the reporting period:

(Millions of Yen)

Balance at 31 March 2021	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	120,048	106,991	6,022	1,857	1,501	981	2,696
Allowance for doubtful accounts	(2,797)	(414)	(33)	(73)	(86)	(326)	(1,866)
Trade and other receivables (net)	117,251	106,578	5,989	1,784	1,415	655	830
Other financial assets (gross)	17,129	16,751	6	—	—	—	372
Allowance for doubtful accounts	(369)	—	—	—	—	—	(369)
Other financial assets (net)	16,760	16,751	6	—	—	—	4

(Millions of Yen)

Balance at 31 March 2022	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	137,139	123,309	7,052	1,693	762	1,241	3,082
Allowance for doubtful accounts	(2,965)	(117)	(122)	(97)	(176)	(771)	(1,682)
Trade and other receivables (net)	134,174	123,192	6,930	1,596	586	470	1,400
Other financial assets (gross)	19,689	19,268	7	—	1	—	412
Allowance for doubtful accounts	(385)	(0)	—	—	(1)	—	(384)
Other financial assets (net)	19,304	19,268	7	—	—	—	28

(Thousands of U.S. Dollars (Note 2))

Balance at 31 March 2022	Total	Within due date	Overdue amounts				
			Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
Trade and other receivables (gross)	1,120,507	1,007,509	57,618	13,834	6,223	10,141	25,181
Allowance for doubtful accounts	(24,226)	(959)	(997)	(791)	(1,436)	(6,301)	(13,741)
Trade and other receivables (net)	1,096,281	1,006,550	56,621	13,043	4,787	3,841	11,439
Other financial assets (gross)	160,868	157,431	61	—	6	—	3,369
Allowance for doubtful accounts	(3,143)	(0)	—	—	(6)	—	(3,137)
Other financial assets (net)	157,725	157,431	61	—	—	—	232

The Group does not hold any collateral or other credit enhancements on the above financial assets, excluding the following:

As at 31 March 2021

Loans to subsidiaries and affiliates of 8,668 million yen

As at 31 March 2022

Loans to subsidiaries and affiliates of 8,887 million yen (72,609 thousand U.S. dollars)

Details of collaterals are described in Note 30 “Related party disclosures”.

In case of impairment of financial assets, the Group does not directly write off such assets by reducing the carrying amount; instead, it records an allowance for doubtful accounts. Movement in the allowance for doubtful accounts is as follows:

(Millions of Yen)

	Loss allowance at an amount equal to 12-month expected credit losses	Loss allowance at an amount equal to lifetime expected credit losses			Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	Trade and other receivables	
Balance at 1 April 2020	—	27	372	2,855	3,255
Provision for the year	—	—	4	490	494
Reduction resulting from settlement for the year	—	—	(33)	(486)	(519)
Reduction for the year (reversal)	—	(2)	(3)	(239)	(244)
Other (foreign exchange translation gains or losses, etc.)	—	2	1	177	180
Balance at 31 March 2021	—	28	341	2,797	3,166

(Millions of Yen)

	Loss allowance at an amount equal to 12-month expected credit losses	Loss allowance at an amount equal to lifetime expected credit losses			Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	Trade and other receivables	
Balance at 1 April 2021	—	28	341	2,797	3,166
Provision for the year	—	(0)	20	969	988
Reduction resulting from settlement for the year	—	0	(5)	(501)	(506)
Reduction for the year (reversal)	—	(0)	(0)	(515)	(516)
Other (foreign exchange translation gains or losses, etc.)	—	1	0	215	217
Balance at 31 March 2022	—	29	356	2,965	3,350

(Thousands of U.S. Dollars (Note 2))

	Loss allowance at an amount equal to 12-month expected credit losses	Loss allowance at an amount equal to lifetime expected credit losses			Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	Trade and other receivables	
Balance at 1 April 2021	—	226	2,789	22,855	25,869
Provision for the year	—	(3)	162	7,915	8,074
Reduction resulting from settlement for the year	—	1	(39)	(4,094)	(4,132)
Reduction for the year (reversal)	—	(0)	(4)	(4,210)	(4,214)
Other (foreign exchange translation gains or losses, etc.)	—	10	2	1,759	1,771
Balance at 31 March 2022	—	234	2,910	24,226	27,369

(7) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the CFO of the Group who is appointed by the board of directors. Based on the instructions from the CFO, the financial headquarters of the Group mainly manages the Group's liquidity risk by maintaining an appropriate level of retained earnings and credit facilities, and monitors the actual cash flows and forecasted cash flows. The credit lines for commercial paper are secured for temporary cash shortages due to dividends or bonus payments.

The following table details the contractual maturity of its financial liabilities, including derivative financial instruments but excluding guarantee liabilities:

(Millions of Yen)

Balance at 31 March 2021	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative liabilities								
Trade and other payables	57,354	57,354	57,354	—	—	—	—	—
Long-term bank loans	1,017	1,231	45	67	200	40	40	839
Short-term bank loans	855	865	865	—	—	—	—	—
Long-term lease liabilities	12,239	12,874	—	4,992	2,847	1,685	908	2,442
Short-term lease liabilities	6,638	6,638	6,638	—	—	—	—	—
Other financial liabilities	24,472	27,178	2,598	735	4,194	—	—	19,651
Total	102,574	106,140	67,499	5,795	7,240	1,725	948	22,932

(Millions of Yen)

Balance at 31 March 2022	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative liabilities								
Trade and other payables	61,984	61,984	61,984	—	—	—	—	—
Long-term bank loans	1,065	1,274	49	220	43	43	213	706
Short-term bank loans	655	662	662	—	—	—	—	—
Long-term lease liabilities	12,720	13,660	—	5,258	2,976	1,798	1,140	2,488
Short-term lease liabilities	7,160	7,160	7,160	—	—	—	—	—
Other financial liabilities	24,510	27,755	647	5,253	—	—	5,019	16,836
Total	108,093	112,494	70,502	10,731	3,019	1,840	6,372	20,030

(Thousands of U.S. Dollars (Note 2))

Balance at 31 March 2022	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative liabilities								
Trade and other payables	506,444	506,444	506,444	—	—	—	—	—
Long-term bank loans	8,700	10,405	401	1,796	352	348	1,744	5,765
Short-term bank loans	5,352	5,413	5,413	—	—	—	—	—
Long-term lease liabilities	103,928	111,611	—	42,962	24,318	14,688	9,311	20,332
Short-term lease liabilities	58,499	58,499	58,499	—	—	—	—	—
Other financial liabilities	200,262	226,772	5,282	42,922	—	—	41,007	137,561
Total	883,185	919,144	576,040	87,680	24,670	15,036	52,061	163,657

The Company secures the financing methods below for temporary cash shortages due to dividends or bonus payments.
 Details of financing methods and status are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Bank overdraft			
Used	—	—	—
Unused	85,000	85,000	694,501
Total	85,000	85,000	694,501
Commercial paper			
Used	—	—	—
Unused	50,000	50,000	408,530
Total	50,000	50,000	408,530

(8) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that have been measured at fair value subsequent to initial recognition. The fair values are categorised into Levels 1 to 3.

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

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Fair value derived from inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

· FVTOCI financial assets classified as Level 3 mainly consist of unlisted shares and are measured using valuation techniques such as net asset approach, discount cash flow method or comparable company method.

· FVTPL financial liabilities classified as Level 3 consist of contingent considerations and are measured based on the achievement of milestones considering time value of money.

① Financial instruments that are measured at fair value

(Millions of Yen)

As at 31 March 2021	Level 1	Level 2	Level 3	Total
FVTOCI financial assets	2,024	—	37,117	39,141
Total	2,024	—	37,117	39,141
FVTPL financial liabilities	—	—	229	229
Total	—	—	229	229

(Millions of Yen)

As at 31 March 2022	Level 1	Level 2	Level 3	Total
FVTOCI financial assets	923	—	41,073	41,997
Total	923	—	41,073	41,997
FVTPL financial liabilities	—	—	101	101
Total	—	—	101	101

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2022	Level 1	Level 2	Level 3	Total
FVTOCI financial assets	7,544	—	335,594	343,137
Total	7,544	—	335,594	343,137
FVTPL financial liabilities	—	—	828	828
Total	—	—	828	828

Note:

As at 31 March 2021

No transfers occurred between Levels 1, 2 and 3 during the year ended 31 March 2021.

As at 31 March 2022

No transfers occurred between Levels 1, 2 and 3 during the year ended 31 March 2022.

② Reconciliation of financial assets categorised at Level 3 from beginning balance to ending balance

(Millions of Yen)

For the year ended 31 March 2021	Fair value measurement as at the end of the reporting period	
	FVTOCI financial assets	FVTPL financial liabilities
Opening balance	29,761	4,001
Total gains or losses recognised:	7,356	(3,456)
- in profit or loss (i)	—	(3,440)
- in other comprehensive income (i)	7,356	(16)
Settlement	—	(316)
Closing balance	37,117	229

(Millions of Yen)

For the year ended 31 March 2022	Fair value measurement as at the end of the reporting period	
	FVTOCI financial assets	FVTPL financial liabilities
Opening balance	37,117	229
Total gains or losses recognised:	3,956	(8)
- in profit or loss (i)	—	(13)
- in other comprehensive income (i)	3,956	5
Settlement	—	(120)
Closing balance	41,073	101

(Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2022	Fair value measurement as at the end of the reporting period	
	FVTOCI financial assets	FVTPL financial liabilities
Opening balance	303,268	1,872
Total gains or losses recognised:	32,325	(63)
- in profit or loss (i)	—	(103)
- in other comprehensive income (i)	32,325	40
Settlement	—	(982)
Closing balance	335,594	828

Note:

As at 31 March 2021

(i) For total gains or losses included in profit or loss, the difference by settlement of the contingent consideration arising from business combination is recorded at 3,442 million yen. It is included in the line item 'Other income' in the consolidated statement of comprehensive income. Gains or losses due to changes in the fair value is included in 'Finance costs' in the consolidated statement of comprehensive income.

For total gains or losses included in other comprehensive income, gains or losses related to FVTOCI assets are included in 'Financial assets measured at fair value through other comprehensive income' or 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income. Gains or losses related to FVTPL liabilities are included in 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income.

As at 31 March 2022

(i) For total gains or losses included in profit or loss, the difference by settlement of the contingent consideration arising from the business combination is recorded at 13 million yen (103 thousand U.S. dollars). It is included in the line item 'Other income' in the consolidated statement of comprehensive income.

For total gains or losses included in other comprehensive income, gains or losses related to FVTOCI assets are included in 'Financial assets measured at fair value through other comprehensive income' or 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income. Gains or losses related to FVTPL liabilities are included in 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income.

(9) Fair value of financial assets and liabilities that are measured at fair value on a non-recurring basis

① Carrying amounts and fair value

	(Millions of Yen)		(Millions of Yen)		(Thousands of U.S. Dollars (Note 2))	
	As at 31 March 2021		As at 31 March 2022		As at 31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Financial assets measured at amortised cost						
Long-term loans to subsidiaries and affiliates (excluding current portion)	6,004	6,080	3,558	3,540	29,074	28,926
Lease deposits	5,351	5,351	5,746	5,739	46,946	46,890
Long-term guarantee deposits	230	230	1,064	1,003	8,691	8,195
Total	11,584	11,661	10,368	10,282	84,710	84,011
Liabilities						
Financial liabilities measured at amortised cost						
Long-term bank loans (excluding current portion)	995	1,018	1,043	1,024	8,521	8,369
Long-term guarantee deposits	768	768	387	387	3,160	3,159
Long-term other payables	21,010	20,772	23,375	21,425	190,992	175,058
Total	22,773	22,557	24,805	22,836	202,673	186,586

② Fair value hierarchy

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

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

· Fair value of long-term loans to subsidiaries and affiliates and lease deposits are measured by the present value of future cash flows of each loan categorised according to a certain range of term and discounted by the risk-free rate, etc.

· Fair value of interest-bearing debt, long-term guarantee deposits and long-term other payables is measured by the present value of future cash flows of each debt categorised according to a certain range of term and discounted by the interest rate that reflects the remaining period to the maturity and credit risk.

Level 3: Fair value derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	(Millions of Yen)			
As at 31 March 2021	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at amortised cost				
Long-term loans to subsidiaries and affiliates (excluding current portion)	—	6,080	—	6,080
Lease deposits	—	5,351	—	5,351
Long-term guarantee deposits	—	230	—	230
Total	—	11,661	—	11,661
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	1,018	—	1,018
Long-term guarantee deposits	—	768	—	768
Long-term other payables	—	20,772	—	20,772
Total	—	22,557	—	22,557

(Millions of Yen)

As at 31 March 2022	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at amortised cost				
Long-term loans to subsidiaries and affiliates	—	3,540	—	3,540
Lease deposits	—	5,739	—	5,739
Long-term guarantee deposits	—	1,003	—	1,003
Total	—	10,282	—	10,282
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	1,024	—	1,024
Long-term guarantee deposits	—	387	—	387
Long-term other payables	—	21,425	—	21,425
Total	—	22,836	—	22,836

(Thousands of U.S. Dollars (Note 2))

As at 31 March 2022	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at amortised cost				
Long-term loans to subsidiaries and affiliates (excluding current portion)	—	28,926	—	28,926
Lease deposits	—	46,890	—	46,890
Long-term guarantee deposits	—	8,195	—	8,195
Total	—	84,011	—	84,011
Liabilities				
Financial liabilities measured at amortised cost				
Long-term bank loans (excluding current portion)	—	8,369	—	8,369
Long-term guarantee deposits	—	3,159	—	3,159
Long-term other payables	—	175,058	—	175,058
Total	—	186,586	—	186,586

22. Share-based payments

The Company has a performance-based stock compensation plan (Performance Share Unit), a phantom stock option plan and a stock option plan. The purpose of the plans is to increase the value of the Group and to improve the financial results of the Group by motivating members such as directors, officers, employees of the Group, as well as to retain valuable employees.

(1) Performance Share Unit

① Details of transactions

The Company has adopted Performance Share Unit (PSU) for officers instead of a stock option plan since the year ended 31 March 2020. The variable number of shares will be distributed to the granted officers based on the achievement of pre-determined performance goal during the three years subsequent to the grant date. The number of distributed shares is variable from 0% to 200% based on the achievement of the performance goal that consists of consolidated sales, earnings per share (EPS) and ROE.

PSU granted to officers are accounted for as cash-settled share-based payment transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking shared-based payment transactions was 81 million yen and 164 million yen (1,344 thousand U.S. dollars) for the year ended 31 March 2021 and 2022 for each period.

Details of PSU that are outstanding for the year ended 31 March 2021 and 2022, are as follows:

No.	Number of shares	Grant date	Fair value at grant date (Yen)
1	15,500	1 July 2019	8,045
2	11,400	1 July 2020	10,260
3	7,900	1 July 2021	14,730

② Determination of fair value

The fair value of the PSU granted during the years ended 31 March 2021 and 2022, was 10,260 yen and 14,730 yen and was determined based on the Company's share price of the grant day for each period.

(2) Phantom Stock Option Plan

① Details of transactions

Phantom Stock Option (PSO) is granted to eligible individuals chosen from those who have been employed or are newly hired by the Group on the condition that they render services over the vesting period, that is, subsequent to the grant date, if a member terminates his or her employment prior to the vesting date, the options will expire. The exercise period of the options is the period determined when each option is granted. The options not exercised within this exercise period will expire.

PSO granted to eligible grantees are accounted for as cash-settled share-based payment transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking shared-based payment transactions was 251 million yen and 647 million yen (5,282 thousand U.S. dollars) for the year ended 31 March 2021 and 2022 for each period.

Details of PSO that are outstanding for the year ended 31 March 2021 and 2022, are as follows:

No.	Number of shares	Grant date	Fair value at grant date (Yen)
1	107,600	1 October 2020	5,930
2	4,500	1 January 2021	7,135
3	3,000	1 July 2021	7,365
4	216,100	1 October 2021	8,738
5	3,600	1 January 2022	8,555

② Determination of fair value

The weighted-average fair value of the PSO granted during the years ended 31 March 2021 and 2022 was 5,978 yen and 8,716 yen for each period. The fair values of the options were determined based on the Company's share prices of the grant days.

(3) Stock Option Plan

① Details of transactions

After the details and eligible members are approved at the meeting of the board of directors, options are granted to individuals on the condition that they render services over the vesting period, that is, subsequent to the grant date, if a member terminates his or her employment prior to the vesting date, the options will expire. The exercise period of the options is the period determined in each option contract. The options not exercised within this exercise period will expire. The option contract includes a clause that limits the maximum number of stock options a member can exercise each year during the exercisable periods.

Stock options granted to members are accounted for as share-settled share-based payment transactions. Expense recorded in the consolidated statement of comprehensive income from undertaking share-based payment transactions was 86 million yen and 98 million yen (803 thousand U.S. dollars) for the years ended 31 March 2021 and 2022, for each period.

Details of the stock options that are outstanding for the years ended 31 March 2021 and 2022, are as follows

No.	Number of shares	Grant date	Expiry date	Exercise price (Yen)	Fair value at grant date (Yen)
11	1,225,600	7 December 2010	30 September 2020	1,947	465
12	680,800	17 January 2012	30 September 2021	1,616	357
13	560,800	16 January 2013	30 September 2022	1,648	427
14	758,800	15 January 2014	30 September 2023	2,846	785
15	582,400	14 January 2015	30 September 2024	3,972.5	896
16	460,400	13 January 2016	30 September 2025	4,928	852
17	386,800	17 January 2017	30 September 2026	4,839	935
18	40,400	13 February 2018	30 September 2027	5,765	1,002
19	123,600	2 October 2018	30 September 2028	6,590	1,586
20	20,000	13 August 2019	30 September 2029	8,542	1,911
21	24,000	11 August 2020	30 September 2030	10,490	2,477
22	40,000	17 August 2021	30 September 2031	15,080	5,151

② Determination of stock option value

The weighted-average fair value of the stock options granted during the years ended 31 March 2021 and 2022, was 2,477 yen and 5,151 yen for each period.

In determining the expense of the stock options, the options were priced using the Black-Scholes model. The following table details the assumptions used in the Black-Scholes model for the options granted in the years ended 31 March 2021 and 2022.

Expected volatility was determined based on recent historical daily share price volatility from the grant date to the forecasted remaining period.

	No. 21	No. 22
Share price at grant date (Yen)	10,250	16,945
Exercise price (Yen)	10,490	15,080
Expected volatility	28.98%	29.24%
Expected remaining option life (Years)	6.4	6.4
Dividends yield	0.88	0.53
Risk free rate	(0.09%)	(0.13%)

③ The number and weighted-average exercise prices of stock options

The weighted-average exercise price of the outstanding options was 4,600 yen and 4,038 yen as at the years ended 31 March 2021 and 2022 for each period. Weighted-average remaining contractual life was 4.6 years and 4.5 years as at 31 March 2021 and 2022 for each period.

	For the year ended 31 March 2021		For the year ended 31 March 2022	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Outstanding at the beginning of the period	1,098,000	4,078	695,600	4,600
Granted	24,000	10,490	40,000	15,080
Forfeited (i)	(12,000)	3,901	(23,600)	3,450
Exercised	(322,400)	4,045	(141,600)	4,209
Expired	(92,000)	1,947	(43,200)	1,616
Outstanding at the end of the period	695,600	4,600	527,200	4,038
Exercisable at the end of the period	587,700	4,038	435,300	5,579

Note:

(i) Stock options forfeited were due to employee retirements.

Stock options exercised during the year ended 31 March 2021, were as follows:

No.	Number of shares exercised	Exercise period	Weighted-average of share price at exercise date (Yen)
11	10,400	May 2020 to September 2020	10,400
12	14,800	April 2020 to January 2021	11,740
13	800	August 2020 to September 2020	10,398
14	90,000	April 2020 to March 2021	12,568
15	39,600	June 2020 to February 2021	12,190
16	71,600	May 2020 to March 2021	12,119
17	75,600	June 2020 to March 2021	12,146
18	8,800	August 2020 to November 2020	11,730
19	8,400	August 2020 to November 2020	12,224
20	2,400	November 2020 to November 2020	12,420
Total	322,400		12,176

Note:

The number of shares exercised and the amount paid by key management personnel are 120,800 shares and 494 million yen.

Stock options exercised during the year ended 31 March 2022, were as follows:

No.	Number of shares exercised	Exercise period	Weighted-average of share price at exercise date (Yen)
13	5,600	May 2021 to July 2021	14,620
14	51,200	April 2021 to March 2022	15,410
15	14,000	April 2021 to February 2022	16,084
16	24,000	June 2021 to March 2022	17,086
17	27,600	June 2021 to January 2022	15,898
18	7,600	October 2021 to November 2021	17,098
19	6,400	November 2021 to November 2021	17,940
20	3,600	November 2021 to November 2021	17,940
21	1,600	November 2021 to November 2021	17,940
Total	141,600		16,122

Note:

The number of shares exercised and the amount paid by key management personnel are 58,000 shares and 229 million yen.

23. Revenue

(1) Disaggregation of revenue

The relationship between the major geographical areas and the Group's revenue from continuing operations from its major products and services for the year ended 31 March 2021 and 2022 is as follows:

(Millions of Yen)

For the year ended 31 March 2021	Japan	Asia	Americas	Europe	Others	Total
Life Care						
Health Care related products	102,191	27,408	51,740	66,668	3,619	251,626
Medical related products	18,590	14,658	17,468	37,457	2,002	90,175
Life Care total	120,781	42,066	69,208	104,125	5,621	341,801
Information Technology						
Electronics related products	14,367	145,678	9,573	2,269	0	171,887
Imaging related products	6,677	21,200	710	490	1	29,078
Information Technology total	21,043	166,878	10,283	2,759	2	200,965
Other	2,855	617	658	1,024	—	5,154
Total revenue from external customers	144,680	209,560	80,150	107,909	5,623	547,921

(Millions of Yen)

For the year ended 31 March 2022	Japan	Asia	Americas	Europe	Others	Total
Life Care						
Health Care related products	111,784	35,436	65,111	82,714	4,778	299,823
Medical related products	20,686	18,488	22,591	43,317	2,645	107,726
Life Care total	132,470	53,924	87,702	126,030	7,423	407,549
Information Technology						
Electronics related products	20,540	175,562	10,692	2,932	—	209,726
Imaging related products	8,824	28,510	746	597	1	38,677
Information Technology total	29,364	204,072	11,438	3,529	1	248,403
Other	2,829	684	767	1,235	—	5,514
Total revenue from external customers	164,663	258,679	99,907	130,794	7,424	661,466

(Thousands of U.S. Dollars (Note 2))

For the year ended 31 March 2022	Japan	Asia	Americas	Europe	Others	Total
Life Care						
Health Care related products	913,346	289,530	531,995	675,820	39,042	2,449,732
Medical related products	169,013	151,059	184,583	353,924	21,608	880,189
Life Care total	1,082,360	440,589	716,578	1,029,744	60,650	3,329,921
Information Technology						
Electronics related products	167,824	1,434,447	87,360	23,956	—	1,713,587
Imaging related products	72,095	232,942	6,096	4,878	5	316,016
Information Technology total	239,918	1,667,389	93,456	28,834	5	2,029,602
Other	23,114	5,587	6,263	10,087	—	45,051
Total revenue from external customers	1,345,392	2,113,565	816,298	1,068,665	60,655	5,404,574

Note:

Geographical areas are based on the location of the customers.

(2) Contract balances

Receivables from contracts with customers and contract liabilities are as follows. Contract liabilities consist mainly of advance received and advance received profit from customers. Contract liabilities increase by the receipt of consideration from a customer before the transfer of control of good or service to the customer and decrease by satisfaction of the performance obligation.

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Receivables from contracts with customers	113,856	130,172	1,063,585
Contract liabilities	3,509	3,954	32,302

Note:

Revenues recognised in the years ended 31 March 2021 and 2022 that were included in the contract liability balances as at 1 April 2021 and 2022 were 1,183 million yen and 1,449 million yen (11,841 thousand U.S. dollars) for each period. Amount of revenue recognised in the years ended 31 March 2021 and 2022 from performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

(3) Transaction price allocated to the remaining performance obligations

The Group uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with individual expected contractual terms exceeding one year. In addition, considerations from contracts with customers do not include a significant amount, which is not included in the transaction price and significant financing components.

(4) Assets recognised from the costs to obtain a contract with a customer

If the amortisation period of the assets is one year or less, the Group uses the practical expedient of recognising the incremental costs of obtaining the contract as an expense when incurred.

24. Revenue and expenses (excluding finance income and costs)

(1) Other income from continuing operations

The following is an analysis of the Group's other income from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Commission	85	63	518
Rent	89	121	991
Government grants	92	498	4,069
Gain on sale of plant, property and equipment and intangible assets	3,286	713	5,822
Gain on business transfer	—	1,656	13,531
Insurance proceeds	71	79	647
Gain on sale of shares of subsidiaries	—	2,135	17,446
Others (Note)	4,517	1,875	15,322
Total other income	8,139	7,141	58,345

Note:

The difference by settlement of the contingent consideration arising from business combination is recorded at 3,442 million yen for the year ended 31 March 2021.

(2) R&D expenses recognised as incurred

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Employee benefits expense	9,081	10,953	89,490
Depreciation and amortisation	3,477	3,696	30,195
Commission expenses	3,178	3,667	29,962
Other expenses	7,520	7,060	57,688
Total R&D expenses recognised as incurred	23,256	25,376	207,335

Note:

The above items are included in the corresponding line items in the consolidated statement of comprehensive income.

(3) Employee benefits expense

The following is an analysis of the Group's employee benefits expense from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Salary, bonuses and others	107,607	131,424	1,073,811
Retirement benefit			
Defined benefit	847	914	7,464
Defined contribution	2,414	2,538	20,735
Retirement benefit total	3,261	3,451	28,199
Share-based payments	418	909	7,429
Severance payments	3,696	629	5,143
Others	5,022	6,836	55,857
Total employee benefits expense	120,004	143,250	1,170,438

(4) Foreign exchange gains or losses

Foreign exchange gains or losses include gains or losses resulting from changes in fair value of currency derivatives.

(5) Other expenses

The following is an analysis of the Group's other expenses from continuing operations:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Packaging/shipping/transportation	11,045	12,813	104,689
Travel	2,525	3,695	30,194
Utilities	10,720	12,559	102,618
Repair and maintenance	12,031	12,588	102,851
Loss on sales of property, plant and equipment	20	8	66
Loss on disposal of property, plant and equipment	147	120	984
Others	68,158	76,443	624,587
Total other expenses	104,646	118,228	965,990

25. Finance income and costs

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Finance income			
Interest income			
Cash and cash equivalents, financial assets measured at amortized cost	1,544	1,707	13,947
Dividend income			
FVTOCI financial assets	8	11	90
Changes in fair value			
FVTPL financial assets	652	—	—
Total finance income	2,204	1,718	14,037
Finance costs			
Interest costs			
Interest-bearing debt	373	373	3,048
Retirement benefits liabilities	59	115	938
Provisions	17	17	142
Other financial liabilities	275	339	2,770
Impairment losses			
Financial assets measured at amortised cost	1,286	820	6,696
Total finance costs	2,010	1,664	13,595

26. Other comprehensive income

For the years ended 31 March 2021 and 2022, items that may be reclassified subsequently to profit or loss comprise the following:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
<i>Items that may be reclassified subsequently to profit or loss:</i>			
① Exchange differences on translation of foreign operations (i)			
Gains (losses) arising during the year	20,761	46,952	383,624
Reclassification adjustments to profit or loss for the year	332	(101)	(828)
Total	21,093	46,850	382,796
② Share of other comprehensive income of associates			
Gains (losses) arising during the year	(147)	142	1,157
Reclassification adjustments to profit or loss for the year	3	1	6
Total	(144)	142	1,163
Other comprehensive income/(loss) before tax	20,949	46,993	383,959
Income tax relating to components of other comprehensive income	(78)	(11)	(93)
Total other comprehensive income/(loss) (net of tax)	20,871	46,981	383,866

Note:

(i) 'Exchange differences on translation of foreign operations' consist of differences on foreign currency conversion for financial statements of foreign operations.

Deferred and current taxes on each item of other comprehensive income for the years ended 31 March 2021 and 2022, are as follows:

	(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars (Note 2))		
	For the year ended 31 March 2021			For the year ended 31 March 2022			For the year ended 31 March 2022		
	Total	Tax	Net of tax	Total	Tax	Net of tax	Total	Tax	Net of tax
Other comprehensive income attributable to owners of the Company									
① FVTOCI financial assets	8,359	(2,546)	5,813	3,065	(781)	2,285	25,047	(6,377)	18,670
② Exchange differences on translation of foreign operations	20,684	(78)	20,606	46,969	(11)	46,958	383,767	(93)	383,674
③ Remeasurements of the net defined benefit liability (asset)	280	(17)	264	290	(52)	238	2,368	(424)	1,944
④ Share of other comprehensive income of associates	(144)	—	(144)	142	—	142	1,163	—	1,163
Subtotal	29,179	(2,640)	26,539	50,467	(844)	49,623	412,345	(6,894)	405,451
Other comprehensive income attributable to non-controlling interests									
① FVTOCI financial assets	4	—	4	(6)	—	(6)	(48)	—	(48)
② Exchange differences on translation of foreign operations	410	—	410	(119)	—	(119)	(970)	—	(970)
Subtotal	413	—	413	(125)	—	(125)	(1,019)	—	(1,019)
Total other comprehensive income/(loss)	29,592	(2,640)	26,952	50,342	(844)	49,498	411,326	(6,894)	404,432

27. Earnings per share

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

	(Yen)	(Yen)	(U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Basic earnings per share			
From continuing operations	335.77	446.45	3.65
From discontinued operations	—	—	—
Total basic earnings per share	335.77	446.45	3.65
Diluted earnings per share			
From continuing operations	335.25	445.93	3.64
From discontinued operations	—	—	—
Total diluted earnings per share	335.25	445.93	3.64

(2) The basis of calculation of basic earnings per share and diluted earnings per share

① Basic earnings per share

(a) Profit for the year attributable to owners of the Company

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Profit attributable to owners of the Company from continuing operations	125,446	164,507	1,344,121
Profit attributable to owners of the Company from discontinued operations	—	—	—
Profit used in the calculation of basic earnings per share	125,446	164,507	1,344,121

(b) Weighted-average number of ordinary shares used in the calculation of basic earnings per share

(Shares in thousands)

	For the year ended 31 March 2021	For the year ended 31 March 2022
Weighted-average number of ordinary shares	373,602	368,482

② Diluted earnings per share

(a) Profit for the year attributable to owners of the Company

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Profit attributable to owners of the Company from continuing operation after dilution	125,446	164,507	1,344,121
Profit attributable to owners of the Company from discontinued operation after dilution	—	—	—
Profit used in the calculation of diluted earnings per share	125,446	164,507	1,344,121

(b) Weighted-average number of ordinary shares used in the calculation of diluted earnings per share

(Shares in thousands)

	For the year ended 31 March 2021	For the year ended 31 March 2022
Weighted-average number of ordinary shares	373,602	368,482
Shares deemed to be issued for no consideration in respect of:		
Stock options	586	426
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	374,188	368,908

28. Non-cash transactions

Non-cash transactions for the years ended 31 March 2021 and 2022, consisted of acquiring property, plant and equipment through new lease arrangements in the amount of 5,020 million yen and 8,402 million yen (68,651 thousand U.S. dollars) for each period.

29. Subsidiaries

(1) Composition of the Group

Information about the composition of the Group as at 31 March 2021 and 2022, is as follows:

Reportable Segment	Location	Number of wholly-owned subsidiaries	
		As at 31 March 2021	As at 31 March 2022
Life Care	U.S.A.	5	5
	ARGENTINA	1	1
	UNITED KINGDOM	4	4
	ITALY	2	2
	INDIA	3	3
	INDONESIA	3	3
	AUSTRALIA	2	2
	NETHERLANDS	4	4
	CANADA	7	7
	COLOMBIA	—	1
	SINGAPORE	3	3
	SWITZERLAND	1	1
	SWEDEN	1	1
	SPAIN	2	2
	THAILAND	3	3
	CZECH REPUBLIC	1	1
	DENMARK	1	1
	GERMANY	6	6
	TURKEY	1	1
	HUNGARY	2	2
	PHILIPPINES	2	2
	FINLAND	1	1
	BRAZIL	2	2
	FRANCE	3	3
	BULGARIA	1	1
	VIETNAM	1	1
	BELGIUM	1	1
	POLAND	1	1
	MALAYSIA	4	4
	SOUTH AFRICA	1	1
	MEXICO	1	1
	RUSSIA	2	2
SOUTH KOREA	3	3	
TAIWAN	1	1	
CHINA	8	8	
JAPAN	3	3	
Information Technology	U.S.A.	1	1
	SINGAPORE	1	1
	THAILAND	2	2
	PHILIPPINES	2	2
	VIETNAM	3	3
	MALAYSIA	1	1
	LAOS	1	1
	SOUTH KOREA	1	1
	TAIWAN	1	1
CHINA	5	5	

Reportable Segment	Location	Number of wholly-owned subsidiaries	
		As at 31 March 2021	As at 31 March 2022
Other	U.S.A.	3	2
	UNITED KINGDOM	1	1
	AUSTRALIA	1	1
	NETHERLANDS	4	4
	SINGAPORE	1	1
	SWEDEN	1	1
	SPAIN	1	1
	THAILAND	1	—
	GERMANY	1	1
	FRANCE	1	1
	SOUTH KOREA	1	1
	JAPAN	2	1

Reportable Segment	Location	Number of non-wholly-owned subsidiaries	
		As at 31 March 2021	As at 31 March 2022
Life Care	IRELAND	1	1
	U.S.A.	1	2
	UNITED KINGDOM	1	1
	NETHERLANDS	1	1
	SINGAPORE	1	1
	GERMANY	2	2
	FRANCE	2	2
	VIETNAM	1	1
	BELGIUM	1	1
	CHINA	4	5
	JAPAN	2	1
Information Technology	PHILIPPINES	1	1
	CHINA	2	1

(2) Details of the non-wholly-owned subsidiaries that have material non-controlling interests

Details of the non-wholly-owned subsidiaries that have material non-controlling interests are as follows:

Name of subsidiaries	Location	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
				(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
		As at 31 March 2021	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
WASSENBURG MEDICAL B.V. and seven other companies	NETHERLANDS and other countries	49.0%	49.0%	(2)	204	1,666	3,037	3,417	27,918
SEIKO OPTICAL PRODUCTS CO., LTD. and three other companies	JAPAN and other countries	50.0%	50.0%	(58)	200	1,634	1,052	1,488	12,159
Individually immaterial subsidiaries with non-controlling interests							(19,677)	(19,700)	(160,964)
Total							(15,589)	(14,795)	(120,887)

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	(Millions of Yen) As at / for the year ended 31 March 2021	(Millions of Yen) As at / for the year ended 31 March 2022	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2022
WASSENBURG MEDICAL B.V. and seven other companies			
Non-current assets	3,276	3,493	28,537
Current assets	5,214	5,931	48,457
Non-current liabilities	(386)	(314)	(2,563)
Current liabilities	(1,907)	(2,137)	(17,458)
Equity attributable to owner of the Company	3,161	3,556	29,056
Non-controlling interests	3,037	3,417	27,917
Revenue	6,528	8,485	69,325
Expenses	(6,532)	(8,068)	(65,924)
Profit/(loss) for the year	(3)	416	3,401
Other comprehensive income/(loss)	507	360	2,938
Comprehensive income/(loss)	503	776	6,339
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	521	748	6,109
Net cash flow from investing activities	(79)	(912)	(7,452)
Net cash flow from financing activities	(188)	(189)	(1,547)
Net cash flow	254	(354)	(2,890)

	(Millions of Yen) As at / for the year ended 31 March 2021	(Millions of Yen) As at / for the year ended 31 March 2022	(Thousands of U.S. Dollars) As at / for the year ended 31 March 2022
SEIKO OPTICAL PRODUCTS CO., LTD. and three other companies			
Non-current assets	884	899	7,343
Current assets	10,100	11,355	92,777
Non-current liabilities	(144)	(233)	(1,907)
Current liabilities	(8,491)	(8,742)	(71,427)
Equity attributable to owner of the Company	1,174	1,639	13,393
Non-controlling interests	1,174	1,639	13,393
Revenue	24,521	29,577	241,658
Expenses	(24,605)	(29,119)	(237,923)
Profit/(loss) for the year	(84)	457	3,735
Other comprehensive income/(loss)	174	472	3,860
Comprehensive income/(loss)	90	930	7,595
Dividends paid to non-controlling interests	—	—	—
Net cash flow from operating activities	388	378	3,086
Net cash flow from investing activities	(9)	(52)	(424)
Net cash flow from financing activities	291	(474)	(3,875)
Net cash flow	670	(149)	(1,214)

Note:

The Company holds less than a majority of the voting rights of SEIKO OPTICAL PRODUCTS CO., LTD. (“SOP”); however, the Company has the power to appoint a majority of its board of directors. Thus, the Company is considered to control SOP and includes it in its subsidiaries.

(3) Details of the material subsidiaries

Details of the Company's material subsidiaries are as follows:

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2021	As at 31 March 2022
HOYA LENS MANUFACTURING MALAYSIA SDN.BHD.	Life Care	Health Care related products	MALAYSIA	100.0%	100.0%
HOYA LENS THAILAND LTD.	Life Care	Health Care related products	THAILAND	100.0%	100.0%
HOYA LENS GUANGZHOU LTD.	Life Care	Health Care related products	CHINA	100.0%	100.0%
HOYA LENS AUSTRALIA PTY.LTD.	Life Care	Health Care related products	AUSTRALIA	100.0%	100.0%
HOYA LENS INDIA PRIVATE LIMITED	Life Care	Health Care related products	INDIA	100.0%	100.0%
HOYA LENS COLOMBIA S.A.S.	Life Care	Health Care related products	COLOMBIA	—	100.0%
HOYA LENS VIETNAM LTD.	Life Care	Health Care related products	VIETNAM	100.0%	100.0%
DAEJEON DAEMYUNG OPTICAL (HANGZHOU) CO., LTD.	Life Care	Health Care related products	CHINA	100.0%	100.0%
VISION EASE LENS (THAILAND) CO., LTD	Life Care	Health Care related products	THAILAND	100.0%	100.0%
PT.VISION-EASE ASIA	Life Care	Health Care related products	INDONESIA	100.0%	100.0%
PERFORMANCE OPTICS KOREA, LTD.	Life Care	Health Care related products	SOUTH KOREA	100.0%	100.0%
HOYA HOLDINGS N.V.	Life Care and Corporate	Health Care related products and EU headquarters	NETHERLANDS	100.0%	100.0%
HOYA LENS DEUTSCHLAND GMBH	Life Care	Health Care related products	GERMANY	100.0%	100.0%
HOYA LENS U.K. LTD.	Life Care	Health Care related products	UNITED KINGDOM	100.0%	100.0%
HOYA LENS ITALIA S.P.A.	Life Care	Health Care related products	ITALY	100.0%	100.0%
HOYA LENS IBERIA S.A.	Life Care	Health Care related products	SPAIN	100.0%	100.0%
HOYA TURKEY OPTIK LENS SANAYI VE TICARET A.S.	Life Care	Health Care related products	TURKEY	100.0%	100.0%
HOYA LENS CANADA, INC.	Life Care	Health Care related products	CANADA	100.0%	100.0%
SEIKO OPTICAL PRODUCTS OF AMERICA, INC.	Life Care	Health Care related products	U.S.A.	50.0%	50.0%
SEIKO OPTICAL PRODUCTS CO., LTD.	Life Care	Health Care related products	JAPAN	50.0%	50.0%

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2021	As at 31 March 2022
PENTAX EUROPE GMBH	Life Care	Medical related products	GERMANY	100.0%	100.0%
PENTAX ITALIA S.R.L	Life Care	Medical related products	ITALY	100.0%	100.0%
PENTAX U.K. LTD.	Life Care	Medical related products	UNITED KINGDOM	100.0%	100.0%
PENTAX OF AMERICA, INC.	Life Care	Medical related products	U.S.A.	100.0%	100.0%
PENTAX CANADA, INC.	Life Care	Medical related products	CANADA	100.0%	100.0%
PENTAX MEDICAL (PENANG) SDN. BHD.	Life Care	Medical related products	MALAYSIA	100.0%	100.0%
HOYA SURGICAL OPTICS, INC.	Life Care	Medical related products	U.S.A.	100.0%	100.0%
MICROLINE SURGICAL, INC.	Life Care	Medical related products	U.S.A.	100.0%	100.0%
HOYA LAMPHUN LTD.	Life Care Information Technology	Health Care related products and Medical related products	THAILAND	100.0%	100.0%
HOYA GLASS DISK PHILIPPINES, INC.	Information Technology	Electronics related products	PHILIPPINES	100.0%	100.0%
HOYA GLASS DISK VIETNAM LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA GLASS DISK VIETNAM II LTD.	Information Technology	Electronics related products	VIETNAM	100.0%	100.0%
HOYA MICROELECTRONICS TAIWAN CO., LTD.	Information Technology	Electronics related products	TAIWAN	100.0%	100.0%
HOYA ELECTRONICS KOREA CO., LTD.	Information Technology	Electronics related products	SOUTH KOREA	100.0%	100.0%
HOYA ELECTRONICS MALAYSIA SDN.BHD.	Information Technology	Electronics related products	MALAYSIA	100.0%	100.0%
HOYA ELECTRONICS SINGAPORE PTE. LTD.	Information Technology	Electronics related products	SINGAPORE	100.0%	100.0%
HOYA CORPORATION USA	Information Technology	Electronics related products and Imaging related products	U.S.A.	100.0%	100.0%
HOYA OPTICS (THAILAND) LTD.	Information Technology	Imaging related products	THAILAND	100.0%	100.0%
HOYA OPTO-ELECTRONICS QINGDAO LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL TECHNOLOGY (SUZHOU) LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
HOYA OPTICAL (ASIA) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%

Name of subsidiary	Reportable segment	Major products/ services in the reportable segment	Location	Proportion of shares held	Proportion of shares held
				As at 31 March 2021	As at 31 March 2022
HOYA OPTICAL TECHNOLOGY (WEIHAI) CO., LTD.	Information Technology	Imaging related products	CHINA	100.0%	100.0%
PENTAX CEBU PHILIPPINES CORPORATION	Information Technology	Imaging related products	PHILIPPINES	100.0%	100.0%
HOYA HOLDINGS ASIA PACIFIC PTE LTD	Corporate	Asia and Oceania headquarters	SINGAPORE	100.0%	100.0%
HOYA HOLDINGS (ASIA) B.V.	Corporate	Asia and Oceania holding company	NETHERLANDS	100.0%	100.0%
HOYA FINANCE B.V.	Corporate	Asia and Oceania financing company	NETHERLANDS	100.0%	100.0%
HOYA HOLDINGS, INC.	Corporate	North America headquarters	U.S.A.	100.0%	100.0%

30. Related party disclosures

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Details of the balances and transactions between the Company and other related parties are disclosed as follows:

(1) Transactions with related parties, and receivables and payables balances

The Group has transactions with related parties as follows:

As at/for the year ended 31 March 2021:

	Name of associates	Nature of related party transactions	Transaction amount	Outstanding balance
			(Millions of Yen)	(Millions of Yen)
Associates	AvanStrate, Inc.	Incorporation of deferred interests receivable into principal (Note)	213	—
		Current portion of long-term loans receivable from subsidiaries and affiliates	—	8,668
		Interest received	53	211

Note

Interest rates on loans are determined considering market rates.

The deferred interest receivable, which is calculated on the unpaid principal based on deferred interest rates, is incorporated into principal.

The due date of the loan is 27 December 2023. It will be repaid in six installments after a certain period of deferment, and deferred interests will be paid by batch payment on the due date. Of the unsettled amount, the balance to be collected within one year is ¥2,664 million.

Platinum owned by a subsidiary of the affiliate is pledged as collateral.

As at/for the year ended 31 March 2022:

	Name of associates	Nature of related party transactions	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
			(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))	(Thousands of U.S. Dollars (Note 2))
Associates	AvanStrate, Inc.	Incorporation of deferred interests receivable into principal (Note)	219	—	1,787	—
		Current portion of long-term loans receivable from subsidiaries and affiliates	—	8,887	—	72,609
		Interest received	—	727	—	5,939

Note

Interest rates on loans are determined considering market rates.

The deferred interest receivable, which is calculated on the unpaid principal based on deferred interest rates, is incorporated into principal.

The due date of the loan is 27 December 2023. It will be repaid in six installments after a certain period of deferment, and deferred interests will be paid by batch payment on the due date. Of the unsettled amount, the balance to be collected within one year is ¥5,328 million.

Platinum owned by a subsidiary of the affiliate is pledged as collateral.

(2) Remuneration of key management personnel

Remuneration of directors and other key management personnel during the year is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2022
Short-term benefits	521	603	4,923
Share-based payments	157	262	2,141
Total remuneration of key management personnel	678	865	7,064

The remuneration of directors and key management personnel is determined by the remuneration committee based on the business environment of the Company, the remuneration of other companies and performance.

31. Business combinations

The information of business combinations is omitted as it was immaterial for the Group.

32. Contingent liabilities

There are no significant contingent liabilities for the Group.

33. Commitments for expenditure

Payment commitments after the reporting date are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars (Note 2))
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2022
Commitments for the acquisition of property, plant and equipment and intangible assets	19,222	13,418	109,636

34. Subsequent events

Share Cancellation

The Board of Directors made a resolution to cancel certain shares held as the Company's treasury shares on 24 March 2022 pursuant to Article 178 of the Companies Act.

1. Reason for cancellation of treasury shares

The Company decided on the cancellation of treasury shares with the aim of increasing capital efficiency as well as enhancing shareholder benefit by decreasing the total number of outstanding shares. The Company cancelled 3,922,600 shares on 7 April 2022, which were repurchased under its repurchase plan approved by resolution of the Board of Directors on 1 February 2022.

2. Outline of cancellation

- (1) Class of shares: Common stock
- (2) Number of shares to be cancelled: 3,922,600 shares
(1.07% of total shares outstanding, excluding treasury shares)
- (3) Date of cancellation: 7 April 2022
- (4) Total number of issued and outstanding shares after the cancellation: 365,779,420 shares

Share Repurchase

The Board of Directors made a resolution on matters pertaining a share repurchase on 6 May 2022 based on Article 39 of Articles of Incorporation pursuant to Article 459.1 of the Companies Act of Japan as outlined below.

1. Reason for Share Repurchase

The Company decided to acquire its own shares with the aim of shareholders' benefit, improving capital efficiency and ensuring a flexible capital policy.

2. Outline of Share Repurchase

- (1) Class of shares: Common stock
- (2) Number of shares to be repurchased: 5,000,000 shares (maximum)
(1.37% of total shares outstanding, excluding treasury shares)
- (3) Total amount to be paid for repurchase: 60 billion yen (490,236 thousand of U.S. dollars) (maximum)
- (4) Period of share repurchase: 9 May 2022 through 20 July 2022
- (5) Method of repurchase: Purchase on the Tokyo Stock Exchange based on discretionary investment contract
- (6) Others: Purchased stocks are planned to be cancelled with the aim of shareholders' benefit.

Resolution on cash dividends

On 26 May 2022, a resolution was made by the Company's board of directors for the payment of a cash dividend to shareholders of record on 31 March 2022 of 23,732 million yen (193,905 thousand U.S. dollars) (65 yen per common share).

35. Approval of financial statements

The consolidated financial statements for the year ended 31 March 2022, were approved by Mr. Ryo Hirooka, the chief financial officer of the Group, on 24 June 2022.