Fuji Seal International, Inc. and Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2022, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fuji Seal International, Inc.:

Opinion

We have audited the consolidated financial statements of Fuji Seal International, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, 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 accounting principles generally accepted in Japan.

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 1 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.

<table>
<tr><th colspan="2">Revenue recognition of machinery sales</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>The Group reported machinery sales of ¥15,949 million ($130,313 thousand), which was a part of net sales of ¥170,321 million ($1,391,625 thousand), in the consolidated statement of income for the year ended March 31, 2022.

The Group sells made-to-order packaging machinery and normally recognizes the revenue when a customer completes an acceptance inspection in accordance with the terms and conditions of an agreement with the customer. The customer performs the required acceptance inspection after the ordered machinery is carried into the customer's site and the installment and test run of the machinery are completed.

Since the amount of machinery sales and profits per transaction are relatively higher than label sales, etc., completion of the acceptance inspection as scheduled is an important factor. In achieving the performance targets, it is very important for the acceptance inspection to be completed as scheduled, which is monitored internally and by external stakeholders of the Group.

Due to this nature of machinery sales, we considered the timing of revenue recognition of machinery sales as a key audit matter.</td><td>Our audit procedures related to the cut-off assertion for the timing of revenue recognition of machinery sales included the following, among others:

• We evaluated the design and operating effectiveness of internal controls over the machinery sales process, which is from the receipt of the order through the acceptance inspection.

• In order to test the appropriateness of timing of revenue recognition, we compared the order backlog information with the actual timing of machinery sales. In such case, where we identified an order that indicated the machinery might have been sold earlier than the due date for the order, or an order that indicated the machinery might have been sold earlier than the normal expected period from order to delivery, we performed detailed testing on the order, including making inquiries to the sales managers and inspecting the production records of the machinery and the records of communication with the customers.

• In order to determine that the timing of revenue recognition was appropriate based on the fact of acceptance inspection by the customer, we selected samples of transactions from sales recorded around year end, taking into consideration the duration normally required from the delivery of machinery to the acceptance inspection. We agreed the samples with the documents, such as contracts with customers, evidence of the shipment of machinery from the Group, original acceptance inspection certificates obtained from customers, daily work reports and the results of the acceptance inspections evidencing the completion of the installation.</td></tr>
</table>

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the 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 accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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 accounting principles generally accepted in Japan, 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

August 1, 2022

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2022

ASSETS	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
CURRENT ASSETS:			
Cash and bank deposits (Notes 18 and 23)	¥ 25,860	¥ 21,688	$ 211,292
Receivables (Notes 7, 8 and 18):			
Notes and accounts receivable – trade	40,855	40,974	333,810
Electronically recorded monetary claims – trade	10,206	8,687	83,389
Other	3,034	2,891	24,790
Allowance for doubtful receivables	(184)	(211)	(1,503)
Inventories (Note 5)	19,856	18,758	162,235
Other current assets	1,500	947	12,255
Total current assets	101,127	93,734	826,268
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	6,990	6,257	57,113
Buildings and structures (Note 6)	43,957	46,448	359,155
Machinery and equipment (Note 6)	88,412	87,959	722,379
Furniture and fixtures	9,309	8,548	76,060
Lease assets (Note 17)	563	561	4,600
Others	1,421	1,462	11,610
Construction in progress	5,647	3,113	46,140
Total	156,299	154,348	1,277,057
Accumulated depreciation	(100,340)	(99,466)	(819,838)
Net property, plant and equipment	55,959	54,882	457,219
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 18)	3,776	3,830	30,852
Goodwill	108	160	882
Software	947	909	7,738
Deferred tax assets (Notes 3 and 15)	1,584	2,109	12,942
Asset for retirement benefits (Note 13)		2,811	
Other assets	1,145	932	9,356
Total investments and other assets	7,560	10,751	61,770
TOTAL	¥ 164,646	¥ 159,367	$ 1,345,257

LIABILITIES AND EQUITY	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars (Note 1) 2022
CURRENT LIABILITIES:			
Short-term bank loans (Note 12)	¥ 4,382	¥ 5,416	$ 35,804
Current portion of long-term debt (Notes 12 and 18)	5,039	1,085	41,172
Current portion of long-term lease obligations (Note 17)	92	79	752
Payables:			
Notes and accounts payable – trade	13,758	13,104	112,411
Electronically recorded obligations – trade	11,180	11,655	91,347
Other	4,816	5,557	39,350
Income taxes payable	817	992	6,675
Accrued expenses	3,848	3,464	31,440
Other current liabilities (Notes 7 and 8)	4,665	5,124	38,115
Total current liabilities	48,597	46,476	397,066
LONG-TERM LIABILITIES:			
Long-term debt (Notes 12 and 18)	2,388	5,115	19,511
Long-term lease obligations (Note 17)	133	135	1,087
Liability for retirement benefits (Note 13)	2,631	2,594	21,497
Deferred tax liabilities (Note 15)	571	1,153	4,665
Other long-term liabilities	834	814	6,815
Total long-term liabilities	6,557	9,811	53,575
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 17 and 19)			
EQUITY (Notes 14 and 24):			
Common stock, authorized, 200,000,000 shares; issued, 60,161,956 shares in 2022 and 2021	5,990	5,990	48,942
Capital surplus	6,604	6,585	53,959
Retained earnings	97,677	93,373	798,080
Treasury stock – at cost: 5,411,891 shares in 2022 and 5,026,153 shares in 2021	(8,513)	(7,538)	(69,556)
Accumulated other comprehensive income (Note 20):			
Unrealized gain on available-for-sale securities	1,297	1,318	10,597
Foreign currency translation adjustments	6,260	1,816	51,148
Adjustment for defined retirement benefit plans (Note 13)	177	1,536	1,446
Subtotal	7,734	4,670	63,191
Total equity	109,492	103,080	894,616
TOTAL	¥ 164,646	¥ 159,367	$ 1,345,257

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET SALES (Note 8)	¥ 170,321	¥ 163,636	$ 1,391,625
COST OF SALES (Note 16)	139,683	132,338	1,141,294
Gross profit	30,638	31,298	250,331
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16 and 22)	20,066	18,869	163,951
Operating income	10,572	12,429	86,380
OTHER INCOME (EXPENSES):			
Interest and dividend income	95	78	776
Interest expense	(72)	(67)	(588)
Foreign exchange loss – net	(35)	(390)	(286)
Gain on sales of property, plant and equipment	16	19	131
Loss on sales and disposals of property, plant and equipment	(432)	(354)	(3,530)
Depreciation and amortization of non-operating assets	(107)	(44)	(874)
Gain on sales of investment securities	7	69	57
Loss on sales of investment securities	(2)		(16)
Reorganization expenses (Note 11)	(983)	(146)	(8,032)
Subsidies income		43	
Impairment losses (Note 6)		(57)	
Claim settlement (Note 9)		(300)	
Insurance income (Note 10)	242	1,101	1,977
Advanced deduction for assets acquired by insurance income (Note 6)		(849)	
Other – net	149	98	1,217
Other expenses – net	(1,122)	(799)	(9,168)
INCOME BEFORE INCOME TAXES	9,450	11,630	77,212
INCOME TAXES (Note 15):			
Current	(3,203)	(3,889)	(26,170)
Deferred	(130)	634	(1,062)
Total income taxes	(3,333)	(3,255)	(27,232)
NET INCOME	6,117	8,375	49,980
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 6,117	¥ 8,375	$ 49,980

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u and 21):			
Basic net income	¥111.70	¥150.93	$0.91
Cash dividends applicable to the year	33.00	32.00	0.27

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
NET INCOME	¥ 6,117	¥8,375	$ 49,980
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized loss on available-for-sale securities	(21)	(44)	(172)
Deferred loss on derivatives under hedge accounting		(0)	
Foreign currency translation adjustments	4,444	(788)	36,310
Adjustment for defined retirement benefit plans	(1,359)	614	(11,104)
Total other comprehensive income (loss)	3,064	(218)	25,034
COMPREHENSIVE INCOME (Note 20)	¥ 9,181	¥8,157	$ 75,014
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 20):			
Owners of the parent	¥9,181	¥8,157	$75,014

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2022

		Millions of Yen								
						Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Adjustment for Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2020	55,564,787	¥5,990	¥6,572	¥86,776	¥(6,587)	¥1,362	¥ 0	¥2,604	¥ 922	¥ 97,639
Net income attributable to owners of the parent				8,375						8,375
Cash dividends, ¥32 per share				(1,778)						(1,778)
Purchase of treasury stock	(449,284)				(979)					(979)
Disposal of treasury stock (include the disposal as restricted share compensation)	20,300		13		29					42
Net change in the year	(428,984)					(44)	(0)	(788)	614	(218)
BALANCE, MARCH 31, 2021	55,135,803	5,990	6,585	93,373	(7,537)	1,318		1,816	1,536	103,081
Net income attributable to owners of the parent				6,117						6,117
Cash dividends, ¥33 per share				(1,813)						(1,813)
Purchase of treasury stock	(414,538)				(1,021)					(1,021)
Disposal of treasury stock (include the disposal as restricted share compensation)	28,800		19		45					64
Net change in the year	(385,738)					(21)		4,444	(1,359)	3,064
BALANCE, MARCH 31, 2022	54,750,065	¥5,990	¥6,604	¥97,677	¥(8,513)	¥1,297	¥	¥6,260	¥ 177	¥109,492

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Adjustment for Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2021	$48,942	$53,804	$762,913	$(61,582)	$10,769	$	$14,838	$ 12,550	$842,234
Net income attributable to owners of the parent			49,980						49,980
Cash dividends, $0.27 per share			(14,813)						(14,813)
Purchase of treasury stock				(8,342)					(8,342)
Disposal of treasury stock (include the disposal as restricted share compensation)		155		368					523
Net change in the year					(172)		36,310	(11,104)	25,034
BALANCE, MARCH 31, 2022	$48,942	$53,959	$798,080	$(69,556)	$10,597	$	$51,148	$ 1,446	$894,616

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
OPERATING ACTIVITIES:			
Income before income taxes	¥ 9,450	¥ 11,630	$ 77,212
Adjustments for:			
Income taxes – paid	(3,742)	(3,146)	(30,574)
Depreciation and amortization	8,070	8,056	65,937
Impairment losses (Note 6)		57	
Reorganization expenses (Note 11)	983	146	8,032
Subsidies income		(43)	
Gain on sales of property, plant and equipment	(16)	(19)	(131)
Loss on sales and disposals of property, plant and equipment	432	354	3,530
Gain on sales of investment securities	(8)	(69)	(65)
Advanced deduction for assets acquired by insurance income (Note 6)		849	
Changes in assets and liabilities:			
Receivables	(91)	48	(744)
Inventories	(748)	844	(6,112)
Payables	(223)	(871)	(1,822)
Liability for retirement benefits	51	(89)	417
Others – net	(136)	1,100	(1,112)
Total adjustments	4,572	7,217	37,356
Net cash provided by operating activities	14,022	18,847	114,568
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(10,676)	(6,409)	(87,229)
Sales of property, plant and equipment	3,216	10	26,277
Purchases of software and other assets	(508)	(345)	(4,151)
Purchases of investment securities	(34)	(82)	(278)
Proceeds from business divestment (Note 23)	282		2,304
Others – net	(85)	244	(695)
Net cash used in investing activities	(7,805)	(6,582)	(63,772)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans – net	(2,765)	(1,553)	(22,592)
Proceeds from long-term debt	2,198	5,000	17,959
Repayments of long-term debt	(1,087)	(2,427)	(8,881)
Purchases of treasury stock	(1,020)	(979)	(8,334)
Dividends paid	(1,813)	(1,778)	(14,813)
Others – net	(347)	(351)	(2,836)
Net cash used in financing activities	(4,834)	(2,088)	(39,497)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,172	30	9,577
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,555	10,207	20,876
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	21,550	11,343	176,076
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 23)	¥ 24,105	¥ 21,550	$ 196,952

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Fuji Seal International, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amount into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.39 to $1, the approximate rate of exchange at March 31, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 26 (26 in 2021) subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements – In accordance with Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items, that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to a Foreign-Associated Company for the Equity Method*** – In accordance with ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by a foreign-associated company in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Business Combinations*** – Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statement's provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash Equivalents*** – Cash equivalents presented in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits in banks and other short-term investments which mature or become due within 12 months of the date of acquisition. In the consolidated statements of cash flows, the ending balance of bank overdraft is netted against cash equivalents (see Note 23).

f. ***Inventories*** – Inventories are stated at the lower of cost, determined by the moving-average cost method principally for finished products and work in process and by the most recent purchase price principally for raw materials and supplies, or net selling value.

g. ***Investment Securities*** – Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity, when they are classified as securities other than shares that do not have a market value.

Shares that do not have a market value are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. ***Allowance for Doubtful Receivables*** – The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. ***Property, Plant and Equipment*** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Depreciation of property, plant and equipment of foreign subsidiaries is computed substantially by the straight-line method. The range of useful lives is from 2 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

Equipment held under lease is depreciated by the straight-line method over the respective lease period.

Under certain conditions, such as the receipt of subsidy and insurance income, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired.

j. ***Long-Lived Assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. ***Software*** – Software for internal use is amortized by the straight-line method over the estimated useful lives. The estimated useful life is five years.

l. ***Goodwill*** – Goodwill arises principally from business combinations. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired. Goodwill is amortized over 5 years.

m. ***Retirement and Pension Plans*** – The Company and certain subsidiaries have defined contribution pension plans and defined benefit lump-sum payment plans for employees. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss primarily over seven years but no longer than the expected average remaining service period of the employees.

n. ***Asset Retirement Obligations*** – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset, and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement, and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. ***Research and Development Costs*** – Research and development costs are charged to income as incurred.

p. ***Leases*** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

q. ***Income Taxes*** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

The Company and its domestic consolidated subsidiaries will switch from the consolidated corporate tax system to the group tax sharing system from the following fiscal year. However, with regard to the items for which a review of the non-consolidated taxation system was made in accordance with the transition to the group tax sharing system established under the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and the transition to the group tax sharing system, pursuant to the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) do not apply to the Company and some domestic subsidiaries, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment. From the beginning of the following fiscal year, the Company and its domestic consolidated subsidiaries will apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case of applying the group tax sharing system.

r. ***Foreign Currency Transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

s. ***Foreign Currency Financial Statements*** – The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of the foreign subsidiaries are translated into yen at the average exchange rate.

t. ***Derivatives and Hedging Activities*** – The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

u. ***Per Share Information*** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period retroactively adjusted for stock splits.

Diluted net income per share is not presented because there are no securities with a dilutive effect upon exercise or conversion into common stock.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

v. ***Accounting Changes and Error Corrections*** – Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies – When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) Changes in Presentation – When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior-Period Errors – When an error in prior-period financial statements is discovered, those statements are restated.

w. ***Recognition Criteria for Revenue*** – The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) and recognizes revenue in the amount that it expects to receive in exchange for the goods or services it has committed under its contracts with customers when control of those goods or services is transferred to the customers.

By applying the alternative treatment set forth in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition," revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is an ordinary period in the domestic sales of the product.

x. ***Changes in Accounting Policies***

Application of Accounting Standard for Revenue Recognition – Effective April 1, 2021, the Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard"). Accordingly, revenue is recognized when control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

There is no significant impact on the recognition criteria for revenue.

The application of the Revenue Recognition Standard is in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Standard, and there is no impact on the beginning balance of retained earnings. The impact of this change on the consolidated statement of income is immaterial.

Application of Accounting Standard for Fair Value Measurement – Effective April 1, 2021, the Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Group has applied new accounting policy prospectively. This change has no impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized for the tax consequences of temporary differences between the financial reporting basis and the tax basis of existing assets and liabilities, as well as operating loss carryforwards. Recoverability of deferred tax assets is mainly based on estimated future taxable income. Changes in the economic environment and other factors may affect these estimates. If actual taxable income would differ from its estimate in timing and amount, it could have a material impact on deferred tax assets for the fiscal year ending March 31, 2023.

Deferred tax assets as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets	¥1,584	¥2,109	$12,942

4. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Noncurrent:			
Marketable equity securities	¥3,244	¥3,317	$26,505
Non-marketable equity securities	532	513	4,347
Total	¥3,776	¥3,830	$30,852

The costs and aggregate fair values of investment securities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen			
	2022			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,376	¥1,879	¥(11)	¥3,244
Total	¥1,376	¥1,879	¥(11)	¥3,244

	Millions of Yen			
	2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,419	¥1,901	¥(3)	¥3,317
Total	¥1,419	¥1,901	¥(3)	¥3,317

	Thousands of U.S. Dollars			
	2022			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$11,243	$15,352	$(90)	$26,505
Total	$11,243	$15,352	$(90)	$26,505

From the sales of equity securities, the Company has recognized a gain of ¥7 million ($57 thousand) and ¥69 million for the years ended March 31, 2022 and 2021, respectively. The Company has also recognized a loss of ¥2 million ($16 thousand) for the year ended March 31, 2022 and nil for the year ended March 31, 2021. With respect to impairing securities with a market value, if the market value at the end of the period has significantly declined compared to the acquisition cost, the Group recognizes impairment to the extent deemed necessary based on recoverability. The Company has not recognized impairment on investment securities for the years ended March 31, 2022 and 2021.

5. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Finished products	¥ 7,772	¥ 8,537	$ 63,502
Work in process	4,127	3,458	33,720
Raw materials and supplies	7,957	6,763	65,013
Total	¥19,856	¥18,758	$162,235

6. LONG-LIVED ASSETS

(1) Impairment Losses

Year ended March 31, 2022

The Group reviewed its long-lived assets for impairment as of March 31, 2022. As a result, Fuji Seal Switzerland AG recognized impairment losses on machinery, equipment, etc. of ¥133 million ($1,087 thousand) during the fiscal year.

The loss of ¥133 million ($1,087 thousand) is due to the divestment of the tack label business of Fuji Seal Switzerland AG and is presented as a part of reorganization expenses (Note 11).

The Group determines an asset group for impairment testing based on the business units which operating results the group management monitors in management accounting continuously.

The book value of the asset group divested was written down to the recoverable amount following the value determined in the contract of divestment of the business. The recoverable amount is measured at its net selling price. The business was divested in the fiscal year ended March 31, 2022.

Year ended March 31, 2021

The Group reviewed its long-lived assets for impairment as of March 31, 2021. As a result, Fuji Seal, Poland Sp. zo. o. recognized impairment losses on machinery of ¥57 million. Some machinery was revalued at zero as a result of a reconsideration of business strategies.

(2) Advanced Deduction

The amount of advanced deduction directly from the acquisition cost of fixed assets as of March 31, 2022 and 2021 due to the acceptance of government subsidies, etc. is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Land	¥1,478	¥1,478	$12,076
Buildings and structures	296	296	2,418
Machinery and equipment	552	552	4,510
Total	¥2,326	¥2,326	$19,004

The insurance income related to the fire at Fuji Seal, Inc. Tsukuba factory in November 2019 (Note 10) is deducted directly from the cost of fixed tangible assets acquired as replacement and the deduction is recorded under the account of advanced deduction for assets acquired by insurance income for the year ended March 31, 2021.

There was no loss of deduction for the year ended March 31, 2022.

7. TRADE RECEIVABLES AND CONTRACT LIABILITIES

Notes receivable, accounts receivable and contract liabilities arising from contracts with customers are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Notes receivable	¥ 440	$ 3,595
Accounts receivable	40,415	330,215
Contract liabilities	2,964	24,218

Contract liabilities are presented as a part of other current liabilities.

8. REVENUE RECOGNITION

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis are as follows:

Millions of Yen

	Reportable Segment				Total
	Japan	Americas	Europe	ASEAN	
Shrink labels	¥45,697	¥34,059	¥12,784	¥ 7,337	¥ 99,877
Tack labels	9,826	1,245	6,145	182	17,398
Soft pouches	17,057	453	114	5,623	23,247
Machinery	5,575	5,186	4,700	489	15,950
Others	12,302	1,312		235	13,849
Sales to external customers	¥90,457	¥42,255	¥23,743	¥13,866	¥170,321

Thousands of U.S. Dollars

	Reportable Segment				Total
	Japan	Americas	Europe	ASEAN	
Shrink labels	$ 373,372	$ 278,283	$ 104,453	$ 59,947	$ 816,054
Tack labels	80,284	10,172	50,209	1,487	142,153
Soft pouches	139,366	3,701	931	45,944	189,942
Machinery	45,551	42,373	38,402	3,995	130,321
Others	100,515	10,720		1,919	113,154
Sales to external customers	$ 739,088	$ 345,249	$ 193,996	$ 113,293	$ 1,391,625

(2) Basic Information to Understand Revenues from Contracts with Customers

For the sales of shrink labels, tack labels, and soft pouches, revenue is mainly recognized as a result of the fulfillment of performance obligations when the product arrives at the customer site. In the machinery business, revenue is mainly recognized at the time of acceptance by the customer.

For shrink labels, tack labels and soft pouches, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is an ordinary period in the domestic sales of the product in accordance with the alternative treatment set forth in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition."

After the fulfillment of the performance obligations, the normal payment term is approximately six months or less.

(3) Information about the relationship between the fulfillment of performance obligations based on the contract with the customer and the cash flow generated from the contract, and the amount of revenue expected to be recognized after the next fiscal year from the contract with the customer existing at the end of the current fiscal year and the timing of cash flows.

a. Balances of Contract Liabilities

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Contract liabilities:		
Advances received (Beginning balance)	¥3,178	$ 25,966
Advances received (Ending balance)	2,964	24,218

Contract assets are not presented in the table above since the amount is immaterial.

The amount of revenue recognized for the fiscal year ended March 31, 2022, included in the beginning balance of contract liabilities as of April 1, 2021 is ¥3,178 million ($25,966 thousand).

b. Transaction Prices Allocated to Outstanding Performance Obligations

The Group adopts a practical expedient and omits disclosure regarding the remaining performance obligations because there are no transactions with expected contract durations of over one year. No material consideration from contracts with customers is excluded from the transaction price.

9. CLAIM SETTLEMENT

Year ended March 31, 2022

No claim settlement was recognized.

Year ended March 31, 2021

The amount was paid to a customer to settle a claim on products.

10. INSURANCE INCOME

Year ended March 31, 2022

The Group received insurance amounting to ¥242 million ($1,977 thousand) related to the loss from the fire accident that occurred at the Fuji Seal, Inc. Tsukuba factory in November 2019.

Year ended March 31, 2021

The Group received insurance amounting to ¥981 million related to the loss from the fire accident that occurred at the Fuji Seal, Inc. Tsukuba factory in November 2019 and ¥120 million related to the claim settlement (Note 9).

11. REORGANIZATION EXPENSES

Year ended March 31, 2022

The Group recorded a loss arising from the divestment of the tack label business of Fuji Seal Switzerland AG and a gain on sales of fixed assets owned by Fuji Seal Switzerland AG, the breakdown of which is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loss arising from the curtailment of retirement benefit plan (Note 13)	¥1,173	$ 9,584
Loss on revaluation of inventories	189	1,544
Impairment loss (machinery, equipment, etc.) (Note 6)	133	1,087
Gain on sales of fixed assets (land and buildings)	(512)	(4,183)
Total	¥ 983	$ 8,032

Year ended March 31, 2021

Fuji Seal Switzerland AG (formerly Pago AG)'s tack machinery business was integrated into Fuji Seal Germany GmbH (formerly Pago Etikettiersysteme GmbH), which resulted in restructuring expenses of ¥109 million. The plant closure in PT. Fuji Seal Packaging Indonesia resulted in losses on disposal of inventories and other expenses of ¥37 million.

12. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2022 and 2021, consisted of bank loans and bank overdrafts. The weighted-average annual interest rate applicable to the short-term bank loans was 0.4% for the years ended March 31, 2022 and 2021.

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loans from banks with weighted-average per annum interest rate of 0.6% for 2022 (0.3% for 2021) due serially to 2024	¥ 7,427	¥ 6,200	$ 60,683
Total	7,427	6,200	60,683
Less current portion	(5,039)	(1,085)	(41,172)
Long-term debt, less current portion	¥ 2,388	¥ 5,115	$ 19,511

Annual maturities of long-term debt as of March 31, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥2,339	$19,111
2025	49	400
2026		
2027		
2028		
Total	¥2,388	$19,511

13. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have defined retirement benefit plans, such as a defined corporate pension plan and lump-sum pension plan, and also have defined contribution plans.

Fuji Seal Switzerland AG, which adopts the defined benefit corporate pension plan, made a curtailment of the plan due to a significant decrease in the number of employees as a result of the divestment of the tack label business. Relevant losses are presented as a part of reorganization expenses (Note 11).

Defined Retirement Benefit Plan

(1) The changes in defined benefit obligations for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of the year	¥ 13,577	¥13,847	$110,932
Current service cost	257	359	2,100
Interest cost	19	36	155
Actuarial (gains) losses	(301)	(102)	(2,459)
Benefits paid	(497)	(1,156)	(4,061)
Foreign currency transaction adjustments	342	481	2,794
Curtailment of retirement benefit plan	(10,254)		(83,781)
Others	95	112	776
Balance at end of the year	¥ 3,238	¥13,577	$ 26,456

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of the year	¥ 13,794	¥13,340	$ 112,705
Interest income	11	32	90
Actuarial gains	682	724	5,572
Contributions from the employer	53	132	433
Benefits paid	(404)	(1,069)	(3,301)
Foreign currency transaction adjustments	349	538	2,852
Curtailment of retirement benefit plan	(13,915)		(113,694)
Others	37	97	302
Balance at end of the year	¥ 607	¥13,794	$ 4,959

(3) Reconciliation between the liability and assets recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Defined benefit obligations	¥ 619	¥ 10,987	$ 5,057
Plan assets	(607)	(13,794)	(4,959)
Total	12	(2,807)	98
Unfunded defined benefit obligations	2,619	2,590	21,399
Net (asset) liability arising from defined benefit obligations	¥2,631	¥ (217)	$21,497

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits	¥2,631	¥ 2,594	$21,497
Asset for retirement benefits		(2,811)	
Net (asset) liability arising from defined benefit obligation	¥2,631	¥ (217)	$21,497

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 257	¥ 359	$ 2,100
Net interest cost	8	4	65
Recognized actuarial losses	(106)	(146)	(866)
Others (including early retirement payment)	56	6	458
Net periodic benefit costs	¥ 215	¥ 223	$ 1,757
Loss arising from the curtailment of retirement benefit plan (Note 11)	1,173		9,584
Total	¥1,388	¥ 223	$11,341

(5) Amounts recognized in other comprehensive income (before income taxes) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ 1	¥ 1	$ 8
Actuarial (gains) losses	(1,588)	729	(12,975)
Total	¥(1,587)	¥730	$(12,967)

(6) Amounts recognized in accumulated other comprehensive income (before income tax) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ (2)	¥ (2)	$ (17)
Unrecognized actuarial losses	150	1,805	1,226
Total	¥148	¥1,803	$1,209

(7) Components of plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Mutual fund		38%
Debt investments	42%	33
Equity investments	29	27
Real estate (including REITs)	22	
Others	7	2
Total	100%	100%

(8) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	Domestic: 0.1% Foreign: 0.2-2.6%	Domestic: 0.1% Foreign: 0.2-2.3%
Estimated rate of salary increase (*1)	Domestic: 4.0% Foreign: 0.5%	Domestic: 4.0% Foreign: 0.5%

(*1) For the Company and domestic subsidiaries, the estimated rate of salary increase represented an estimated rate of increase in points, which is applied in calculating the retirement benefits.

Defined Contribution Plans

The amounts of required contribution for the years ended March 31, 2022 and 2021, were ¥554 million ($4,527 thousand) and ¥500 million, respectively.

14. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below.

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (namely appointment committee, compensation committee, and audit committee) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with board committees. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

15. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.58% and 30.59% for the years ended March 31, 2022 and 2021, respectively. The foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Accrued enterprise taxes	¥ 82	¥ 86	$ 670
Accrued bonuses	375	402	3,064
Allowance for doubtful receivables	22	38	180
Liability for retirement benefits	735	712	6,005
Tax loss carryforwards	4,012	4,350	32,780
Depreciation	656	669	5,360
Impairment losses	117	124	956
Unrealized intercompany profits	150	175	1,226
Tax credits carryforwards for investment	2,005	1,994	16,382
Others	1,543	1,273	12,607
Total of tax loss carryforwards and temporary differences	9,697	9,823	79,230
Less valuation allowance for tax loss carryforwards	(4,012)	(4,327)	(32,780)
Less valuation allowance for temporary differences	(2,231)	(1,958)	(18,229)
Total valuation allowance	(6,243)	(6,285)	(51,009)
Deferred tax assets	¥ 3,454	¥ 3,538	$ 28,221
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	¥ (319)	¥ (340)	$ (2,606)
Net unrealized gains on available-for-sale securities	(571)	(579)	(4,665)
Depreciation	(693)	(848)	(5,662)
Fixed assets	(115)	(124)	(940)
Others	(743)	(691)	(6,071)
Deferred tax liabilities	¥(2,441)	¥(2,582)	$(19,944)
Net deferred tax liabilities	¥ 1,013	¥ 956	$ 8,277

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022 was as follows:

	Millions of Yen						
March 31, 2022	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥ 75	¥ 63	¥ 496	¥ 27	¥ 46	¥ 3,305	¥ 4,012
Less valuation allowances for tax loss carryforwards	(75)	(63)	(496)	(27)	(46)	(3,305)	(4,012)
Net deferred tax assets relating to tax loss carryforwards							

	Thousands of U.S. Dollars						
March 31, 2022	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	$ 613	$ 515	$ 4,053	$ 221	$ 376	$ 27,002	$ 32,780
Less valuation allowances for tax loss carryforwards	(613)	(515)	(4,053)	(221)	(376)	(27,002)	(32,780)
Net deferred tax assets relating to tax loss carryforwards							

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Normal effective statutory tax rate	30.58%	30.59%
Dividend income	(2.38)	(0.08)
Increase/decrease in valuation allowance	1.93	(0.82)
Lower income tax rates applicable to income in certain foreign countries	(0.29)	(2.04)
Resident tax per capita rate	0.49	0.38
Tax credit for research and development costs	(1.19)	(0.35)
Impact of fluctuations of foreign currency exchange at overseas subsidiaries	1.28	0.55
Unrealized gains	0.24	1.03
Investments in subsidiaries	(0.11)	(1.32)
Retained earnings of overseas subsidiaries	4.78	0.14
Other – net	(0.12)	(0.09)
Actual effective tax rate	35.21%	27.99%

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,494 million ($20,377 thousand) and ¥2,395 million for the years ended March 31, 2022 and 2021, respectively.

17. LEASES

The Group leases certain machinery, computer equipment, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended March 31, 2022 and 2021, were ¥437 million ($3,571 thousand) and ¥430 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2022		2022	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 92	¥46	$ 752	$376
Due after one year	133	47	1,087	384
Total	¥225	¥93	$1,839	$760

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial assets, mainly short-term deposits, and uses financial instruments, mainly short-term bank loans and bonds, for funding. The Company and its subsidiaries apply short-term deposits and short-term loans receivable among Group companies (cash management system). Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables for trade are exposed to customer credit risk. Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly listed shares, are exposed to the risk of market price fluctuations. Payment terms of payables for trade are mostly less than six months.

Maturities of bank loans and bonds are less than five years from the balance sheet date. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest rate swaps.

Derivatives consist primarily of forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and from changes in interest rates of bank loans. Please see Notes 2.t and 19 for more details on derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. The credit risk affecting subsidiaries is also managed in the same manner.

Market risk management (foreign exchange risk and interest rate risk)

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loans.

Liquidity risk management

Liquidity risk includes the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding adequate volume of liquid assets in view of business income and manages expenditures and equipment investment spending plans, along with adequate financial planning by the Corporate Treasury Department. Subsidiaries also report their financial plans to the Group. The Finance Department manages liquidity risk by obtaining information on cash flows of the whole Group.

(4) Fair Values of Financial Instruments

The valuation technique of financial instruments utilizes certain assumptions, and the fair values may change by adopting different assumptions. In addition, the contract amounts of derivatives in Note 19 do not directly indicate the market risk of derivatives.

(a) Fair value of financial instruments

The carrying amounts, fair values, and unrealized gain/loss as of March 31, 2022 and 2021, were as follows. Note that the notes for cash and deposits, receivables, payables, income taxes payable, and short-term bank loans are omitted because the fair values approach the book values since they are settled in the short term.

	Millions of Yen		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities:			
Available-for-sale securities (*1)	¥3,244	¥3,244	¥
Total	¥3,244	¥3,244	¥
Long-term debt	¥7,427	¥7,423	¥(4)
Total	¥7,427	¥7,423	¥(4)
Derivatives (*2)	¥(22)	¥(22)	¥

(*1) Shares that do not have market prices (carrying amount of ¥532 million) are not included in available-for-sale securities.

(*2) Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

	Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities:			
Available-for-sale securities (*1)	¥3,317	¥3,317	¥
Total	¥3,317	¥3,317	¥
Long-term debt	¥6,200	¥6,197	¥(3)
Total	¥6,200	¥6,197	¥(3)
Derivatives (*2)	¥(43)	¥(43)	¥

(*1) Unlisted shares (carrying amount of ¥513 million) are not included in available-for-sale securities since no market quote is available and their fair value is extremely difficult to determine.

(*2) Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

	Thousands of U.S. Dollars		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities:			
Available-for-sale securities (*1)	$26,505	$26,505	$
Total	$26,505	$26,505	$
Long-term debt	$60,683	$60,650	$(33)
Total	$60,683	$60,650	$(33)
Derivatives (*2)	$(180)	$(180)	$

(*1) Shares that do not have market prices (carrying amount of $4,347 thousand) are not included in available-for-sale securities.

(*2) Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

(5) Maturity Analysis for Financial Assets with Contractual Maturities

March 31, 2022	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and bank deposits	¥25,860	¥	¥	¥
Receivables:				
Notes and accounts receivable – trade	40,855			
Electronically recorded monetary claims – trade	10,206			
Total	¥76,921	¥	¥	¥

March 31, 2022	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and bank deposits	$ 211,292	$	$	$
Receivables:				
Notes and accounts receivable – trade	333,810			
Electronically recorded monetary claims – trade	83,389			
Total	$ 628,491	$	$	$

Please see Note 12 for annual maturities of long-term debt and Note 17 for obligations under finance leases.

(6) Financial Instruments Categorized by Fair Value Hierarchy

The fair values of financial instruments are categorized into the following three levels, depending on the observability and importance of the inputs used in the fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial instruments and liabilities measured at the fair values in the consolidated balance sheet

Millions of Yen

March 31, 2022	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	¥3,244			¥3,244
Asset total	¥3,244			¥3,244
Derivatives Foreign currency forward contracts		¥22		¥22
Debt total		¥22		¥22

Thousands of U.S. Dollars

March 31, 2022	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	$26,505			$26,505
Asset total	$26,505			$26,505
Derivatives Foreign currency forward contracts		$180		$180
Debt total		$180		$180

(b) The financial instruments not measured at the fair values in the consolidated balance sheet

Millions of Yen

March 31, 2022	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Long-term debt		¥7,423		¥7,423
Debt total		¥7,423		¥7,423

Thousands of U.S. Dollars

March 31, 2022	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Long-term debt		$60,650		$60,650
Debt total		$60,650		$60,650

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment securities

Listed shares are valued using the market prices. Since listed shares are traded on active markets, the market price is categorized as Level 1 input.

Derivatives

Derivatives are valued using a price quoted by a financial institution. The quoted price is categorized as a Level 2 input.

Long-term debt (including long-term debt due within 1 year or less)

The fair market value of long-term borrowings is calculated by the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the obligation and credit risk. The interest rate is categorized as Level 2 input.

19. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are executed to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
At March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥1,573	¥234	¥(22)	¥(22)
Buying USD	14		0	0

	Millions of Yen			
At March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥956	¥	¥(45)	¥(45)
Selling JPY	143		2	2

	Thousands of U.S. Dollars			
At March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	$12,852	$1,912	$(180)	$(180)
Buying USD	114		0	0

Derivative Transactions to Which Hedge Accounting Is Applied

Not applicable for the years ended March 31, 2022 and 2021.

20. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain on available-for-sale securities:			
Gain (loss) arising during the year	¥ (25)	¥ 5	$ (204)
Reclassification adjustments to profit or loss	(5)	(69)	(41)
Amount before income tax effect	(30)	(64)	(245)
Income tax effect	9	20	73
Total	¥ (21)	¥ (44)	$ (172)
Deferred gain on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥		$
Reclassification adjustments to profit or loss		¥ (0)	
Amount before income tax effect		(0)	
Income tax effect		0	
Total	¥	¥ (0)	$
Foreign currency translation adjustments:			
Gain (loss) arising during the year	¥ 4,448	¥ (788)	$ 36,343
Reclassification adjustments to profit or loss			
Amount before income tax effect	4,448	(788)	36,343
Income tax effect	(4)		(33)
Total	¥ 4,444	¥ (788)	$ 36,310
Adjustment for defined retirement benefit plan:			
Gain (loss) arising during the year	¥ 1,007	¥ 875	$ 8,228
Reclassification adjustments to profit or loss	(2,594)	(145)	(21,195)
Amount before income tax effect	(1,587)	730	(12,967)
Income tax effect	228	(116)	1,863
Total	¥ (1,359)	¥ 614	$ (11,104)
Total other comprehensive income (loss)	¥ 3,064	¥ (218)	$ 25,034

21. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2022 and 2021, is calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2022				
Basic EPS				
Net income available to common shareholders	¥6,117	54,764	¥111.70	$0.91
For the year ended March 31, 2021				
Basic EPS				
Net income available to common shareholders	¥8,375	55,490	¥150.93	

Diluted net income per share is not disclosed because there are no dilutive shares.

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Employees' salaries	¥7,616	¥7,042	$62,227
Freight charges	2,827	2,930	23,098

23. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Reconciliations between cash and cash equivalents on the consolidated statement of cash flows and account balances presented on the consolidated balance sheets at March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash and bank deposits	¥ 25,860	¥ 21,688	$ 211,292
Bank overdraft	(1,755)	(138)	(14,340)
Cash and cash equivalents	¥ 24,105	¥ 21,550	$ 196,952

Bank overdraft is presented in short-term bank loans on the balance sheet.

(2) Major breakdown of assets and liabilities related to the divestment of business which consideration is paid by cash and cash equivalents

The breakdown of assets and liabilities associated with the divestment of Fuji Seal Switzerland AG's tack label business and the reconciliation between the price of the business and the proceeds from the divestment of the business are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Current assets	¥ 487	¥	$ 3,979
Fixed assets	270		2,206
Current liabilities	(68)		(556)
Fixed liabilities	(56)		(458)
Loss on valuation of inventories (Note)	(189)		(1,544)
Impairment loss (Note)	(133)		(1,087)
Other	(29)		(236)
Value of the business divested	282		2,304
Cash and cash equivalents			
Net: Proceeds from divestment of business	¥ 282	¥	$ 2,304

(Note) Included in reorganization expenses in the consolidated statement of income.

24. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2022, was approved at the meeting of the Board of Directors of the Company held on May 23, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥18 ($0.15) per share	¥986	$8,056

25. BUSINESS COMBINATION

Business Divestment

On July 1, 2021, the Company divested its tack label business of Fuji Seal Switzerland AG (former Pago AG), into Helvetikett AG for the purpose of restructuring its business portfolio, in accordance with the resolution of the Board of Directors' meeting held on June 23, 2021.

1. Overview of the Business Divestment

(1) Name of the company to which the business was divested

Helvetikett AG

(2) Details of the divested business

Fuji Seal Switzerland AG's tack label business

(3) Major reasons for the business divestment

In July 2012, the Group acquired and made Fuji Seal Switzerland AG into a consolidated subsidiary in order to expand its tack label and machinery business overseas. In response to changes in the environment of the tack label business in Europe, Fuji Seal Switzerland AG has reorganized its tack label business and machinery business over the past several years. As a result, the Group determined to divest the tack label business of Fuji Seal Switzerland AG to Helvetikett AG, to complete a series of business restructuring aiming at "narrowing down the scope of business to areas with a competitive advantage" and "focusing on target customers."

(4) Date of the business divestment

July 1, 2021

(5) Other matters related to the outline of transactions including legal forms

The divestment is the one which consideration received is cash and cash equivalent only.

2. Summary of Accounting for the Divestment

(1) Amount of gain and loss from the divestment

	Millions of Yen	Thousands of U.S. Dollars
Reorganization expenses (Note 11)	¥322	$2,631

(2) Appropriate book value of assets and liabilities pertaining to the divested business and major breakdown thereof

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 487	$ 3,979
Fixed assets	270	2,206
Total assets	¥ 757	$ 6,185
Current liabilities	¥ (68)	$ (556)
Fixed liabilities	(56)	(458)
Total liabilities	¥(124)	$(1,014)

(3) Accounting treatment

The difference between the consideration for the divestment and the corresponding amount of shareholders' equity related to the divested business was recorded as reorganization expenses in other expenses, comprising a loss on valuation of inventories of ¥189 million ($1,544 thousand) and an impairment loss of ¥133 million ($1,087 thousand).

3. Name of the Reportable Segment in Which the Business Divested was Included

Europe

4. Approximate amount of profit or loss related to divested business recorded in the consolidated statement of income for the current consolidated fiscal year

Fiscal year ended March 31, 2022	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥1,781	$14,552
Operating profit	76	621

26. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decisionmaker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how management resources are allocated among the Group. The Group conducts packaging business (which mainly consists of shrink labels and self-adhesive (tack) labels) in different geographical segments, namely in Japan, Americas, Europe, and ASEAN. Each of the regions are an independently managed unit that can conduct production and sales in their respective region.

From the beginning of the consolidated fiscal year ended March 31, 2022, the Group has changed its management structure in Europe and merged PAGO, previously disclosed as a reportable segment, into Europe. Segment information for the previous fiscal year has been prepared based on the new segment classification.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment

The method of accounting for the reported business segments is based on the accounting principles used to prepare the consolidated financial statements. Reportable segment profit is based on operating income. Intersegment sales or transfers are based on prevailing market prices.

The accounting policies of each reportable segment are generally consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets, Liabilities, and Other Items

	Millions of Yen						
	2022						
	Reportable Segment						
	Japan	Americas	Europe	ASEAN	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥90,457	¥42,255	¥23,743	¥13,866	¥170,321		¥170,321
Intersegment sales or transfers	1,849	6	3,915	2,371	8,141	¥(8,141)	
Total	¥92,306	¥42,261	¥27,658	¥16,237	¥178,462	¥(8,141)	¥170,321
Segment profit (loss)	¥ 7,598	¥ 3,540	¥ (838)	¥ 340	¥ 10,640	¥ (68)	¥ 10,572
Segment assets	87,474	39,513	27,325	17,730	172,042	(7,396)	164,646
Segment liabilities	36,459	9,775	10,503	5,474	62,211	(7,057)	55,154
Other:							
Depreciation	3,964	1,795	1,434	892	8,085	(15)	8,070
Increase in property, plant and equipment and intangible assets	3,988	3,720	728	1,935	10,371	133	10,504

	Millions of Yen						
	2021						
	Reportable Segment						
	Japan	Americas	Europe	ASEAN	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥91,286	¥35,888	¥22,783	¥13,679	¥163,636		¥163,636
Intersegment sales or transfers	1,705	11	3,740	2,467	7,923	¥(7,923)	
Total	¥92,991	¥35,899	¥26,523	¥16,146	¥171,559	¥(7,923)	¥163,636
Segment profit (loss)	¥ 8,146	¥ 3,651	¥ 279	¥ 643	¥ 12,719	¥ (290)	¥ 12,429
Segment assets	79,160	33,674	30,541	16,569	159,944	(577)	159,367
Segment liabilities	36,110	6,366	11,340	4,937	58,753	(2,467)	56,286
Other:							
Depreciation	3,997	2,030	1,335	886	8,248	(192)	8,056
Increase in property, plant and equipment and intangible assets	3,528	1,318	709	700	6,255	(338)	5,917

	Thousands of U.S. Dollars						
	2022						
	Reportable Segment						
	Japan	Americas	Europe	ASEAN	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$ 739,088	$ 345,249	$ 193,996	$ 113,293	$ 1,391,625		$ 1,391,625
Intersegment sales or transfers	15,108	49	31,988	19,372	66,517	$ (66,517)	
Total	$ 754,196	$ 345,298	$ 225,983	$ 132,665	$ 1,458,142	$ (66,517)	$ 1,391,625
Segment profit (loss)	$ 62,080	$ 28,924	$ (6,847)	$ 2,779	$ 86,936	$ (556)	$ 86,380
Segment assets	714,715	322,845	223,262	144,865	1,405,687	(60,430)	1,345,257
Segment liabilities	297,892	79,868	85,816	44,725	508,301	(57,660)	450,641
Other:							
Depreciation	32,388	14,666	11,717	7,289	66,060	(123)	65,937
Increase in property, plant and equipment and intangible assets	32,584	30.395	5,948	15,810	84,737	1,087	85,824

Notes: 1. The major countries or areas belonging to classifications other than Japan:

Americas:	USA, Mexico
Europe:	United Kingdom, Netherlands, France, Spain, Poland, Switzerland, Germany, Italy
ASEAN:	Indonesia, Vietnam, Thailand, India

2. Reconciliations

Reconciliation of segment profit of ¥68 million ($556 thousand) and ¥290 million for the years ended March 31, 2022 and 2021, respectively, was mainly composed of elimination of the intersegment transaction, including unrealized gains.

Reconciliation of segment assets of ¥7,396 million ($60,430 thousand) and ¥577 million for the years ended March 31, 2022 and 2021, respectively, was mainly composed of offsetting of the receivables and the payables, investment account, and the capital account.

Reconciliation of segment liabilities of ¥7,057 million ($57,660 thousand) and ¥2,467 million for the years ended March 31, 2022 and 2021, respectively, was mainly composed of offsetting of the receivables and the payables.

Reconciliation of depreciation of ¥15 million ($123 thousand) and ¥192 million for the years ended March 31, 2022 and 2021, respectively, was mainly composed of elimination of the intersegment transaction, including unrealized gains.

Reconciliation of increase in property, plant and equipment and intangible assets of ¥(133) million ($(1,087) thousand) and ¥338 million for the years ended March 31, 2022 and 2021, respectively, was mainly composed of elimination of unrealized gains.

(4) Information about Products and Services

	Millions of Yen					
	2022					
	Shrink Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥99,877	¥17,398	¥23,247	¥15,950	¥13,849	¥170,321

	Millions of Yen					
	2021					
	Shrink Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥92,672	¥21,073	¥22,906	¥12,559	¥14,426	¥163,636

	Thousands of U.S. Dollars					
	2022					
	Shrink Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	$816,054	$142,153	$189,943	$130,321	$113,154	$1,391,625

(5) Information about Geographical Areas

a. Sales

Millions of Yen				
2022				
Japan	Americas	Europe	Others	Total
¥89,997	¥42,293	¥23,469	¥14,562	¥170,321

Millions of Yen				
2021				
Japan	Americas	Europe	Others	Total
¥90,967	¥35,997	¥21,991	¥14,681	¥163,636

Thousands of U.S. Dollars				
2022				
Japan	Americas	Europe	Others	Total
$735,330	$345,559	$191,756	$118,980	$1,391,625

Note: Classification of countries or areas is based on a geographical adjacency.

The major countries or areas belonging to classifications other than Japan for the years ended March 31, 2022 and 2021 are:

Americas:	USA, Canada, Mexico, Brazil, and other countries
Europe:	EU countries and Switzerland
Others:	ASEAN countries

Sales in Americas and Europe are classified as one section respectively, because of the difficulty to identify these sales in each country.

b. Property, plant and equipment

Millions of Yen							
2022							
	Americas		Europe		Others		
Japan	Americas Total	United States	Europe Total	Poland	Others Total	Thailand	Total
¥25,345	¥14,154	¥9,462	¥9,027	¥5,412	¥7,433	¥6,068	¥55,959

Millions of Yen						
2021						
	Americas		Europe			
Japan	Americas Total	United States	Europe Total	Poland	Others	Total
¥25,807	¥10,920	¥6,133	¥12,106	¥5,805	¥6,049	¥54,882

Thousands of U.S. Dollars							
2022							
	Americas		Europe		Others		
Japan	Americas Total	United States	Europe Total	Poland	Others Total	Thailand	Total
$207,084	$115,647	$77,310	$73,756	$44,219	$60,732	$49,579	$457,219

(6) Information about Impairment Losses of Assets

	Millions of Yen					
	2022					
	Japan	Americas	Europe	ASEAN	Others	Total
Impairment losses	¥	¥	¥133	¥	¥	¥133

	Millions of Yen					
	2021					
	Japan	Americas	Europe	ASEAN	Others	Total
Impairment losses	¥	¥	¥57	¥	¥	¥57

	Thousands of U.S. Dollars					
	2022					
	Japan	Americas	Europe	ASEAN	Others	Total
Impairment losses	$	$	$1,087	$	$	$1,087

(Note) The impairment losses of ¥133 million ($1,087 thousand) for Europe is presented as a part of reorganization expenses.

(7) Information about Amortization of Goodwill and the Remaining Balance by Reportable Segment

	Millions of Yen					
	2022					
	Japan	Americas	Europe	ASEAN	Others	Total
Amortization of goodwill	¥	¥	¥	¥ 45	¥	¥ 45
Remaining balance				108		108

	Millions of Yen					
	2021					
	Japan	Americas	Europe	ASEAN	Others	Total
Amortization of goodwill	¥	¥	¥	¥ 44	¥	¥ 44
Remaining balance				160		160

	Thousands of U.S. Dollars					
	2022					
	Japan	Americas	Europe	ASEAN	Others	Total
Amortization of goodwill	$	$	$	$368	$	$368
Remaining balance				882		882

(8) Information about Major Customers

Information about major customers is not disclosed because there is no customer who accounts for 10% or more of total sales to external customers in the consolidated statement of income.

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