RENGO Integrated Report (Separate Volume)

Financial Data

For Year Ended March 31, 2022

GPI
The General Packaging Industry
RENGO

Consolidated Eleven-Year Summary

Rengo Co., Ltd. and Consolidated Subsidiaries
(For the years ended March 31, 2012–2022)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
For the fiscal year (millions of yen):											
Net sales	¥ 492,628	¥ 502,625	¥ 523,141	¥ 522,671	¥ 532,534	¥ 545,489	¥ 605,712	¥ 653,107	¥ 683,780	¥ 680,714	**¥ 746,926**
Gross profits	86,196	88,468	82,606	76,428	87,288	98,586	99,710	111,197	132,461	133,281	**135,716**
Operating income	25,068	23,890	14,221	5,567	15,727	23,642	17,082	25,292	41,227	39,938	**33,279**
Profit before income taxes and non-controlling interests	11,272	25,066	9,687	12,081	16,268	24,186	23,366	25,075	41,090	41,204	**41,437**
Profit attributable to owners of parent	7,148	12,956	3,702	5,718	9,816	13,876	16,622	17,163	27,790	28,599	**28,188**
Research and development expenses	1,541	1,581	1,421	1,405	1,441	1,448	1,483	1,531	1,593	1,900	**2,151**
Depreciation and amortization	27,149	27,898	28,581	29,611	29,333	29,524	30,880	32,259	35,076	38,114	**41,723**
Capital expenditures	47,741	37,014	52,849	39,982	29,656	30,445	41,527	36,512	38,700	47,143	**49,509**
EBITDA	52,217	51,789	42,802	35,179	46,454	54,372	49,616	59,028	77,662	80,014	**77,193**
At the fiscal year-end (millions of yen):											
Total assets	¥ 549,057	¥ 572,591	¥ 629,054	¥ 655,674	¥ 644,690	¥ 704,826	¥ 747,700	¥ 769,355	¥ 820,109	¥ 869,992	**¥ 934,345**
Working capital	(46,134)	(30,389)	(40,772)	(34,146)	(36,801)	(24,288)	(23,760)	(10,142)	(3,041)	14,229	**39,411**
Interest-bearing debt	229,443	237,745	263,430	276,906	264,728	283,350	287,322	283,071	323,614	330,645	**353,415**
Net assets	170,931	188,132	201,658	222,390	221,733	241,510	262,580	274,697	288,820	324,463	**354,289**
Equity capital[*1]	164,338	180,733	196,359	216,353	215,962	234,241	255,015	263,948	278,254	313,326	**341,909**
Per share amounts (yen):											
Basic earnings per share	¥ 27.74	¥ 50.99	¥ 14.95	¥ 23.09	¥ 39.64	¥ 56.04	¥ 67.14	¥ 69.32	¥ 112.24	¥ 115.51	**¥ 113.84**
Diluted earnings per share	—	—	—	—	—	—	—	—	—	—	**—**
Cash dividends applicable to the year	12.00	12.00	12.00	12.00	12.00	12.00	12.00	14.00	20.00	24.00	**24.00**
Net assets per share[*2]	637.85	729.53	792.78	873.60	872.17	946.06	1,029.98	1,066.07	1,123.86	1,265.53	**1,380.74**
Ratio:											
Return on equity (%)	4.4	7.5	2.0	2.8	4.5	6.2	6.8	6.6	10.3	9.7	**8.6**
Return on total assets (%)	1.4	2.3	0.6	0.9	1.5	2.1	2.3	2.3	3.5	3.4	**3.1**
Debt to equity ratio (times)	1.40	1.32	1.34	1.28	1.23	1.21	1.13	1.07	1.16	1.06	**1.03**
Capital adequacy ratio (%)	29.9	31.6	31.2	33.0	33.5	33.2	34.1	34.3	33.9	36.0	**36.6**
Other data:											
Number of shares of common stock (thousand)	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	**271,056**
Number of employees	12,961	13,082	13,095	14,060	13,999	16,038	16,532	16,968	18,902	19,451	**20,141**
Share prices (yen):											
High	¥ 619	¥ 599	¥ 651	¥ 558	¥ 619	¥ 717	¥ 968	¥ 1,078	¥ 1,071	¥ 1,012	**¥ 990**
Low	458	311	438	443	459	546	603	787	660	776	**730**

*1 Equity capital = Net assets - Non-controlling interests
*2 The amount of net assets used for calculation of net assets per share is the amount of net assets on the consolidated balance sheets, excluding non-controlling interests.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

In the fiscal year ended March 31, 2022, the Rengo Group worked diligently to expand business and increase earning capacity with strengthened marketing capabilities as well as proactive capital investment and M&A as "General Packaging Industry (GPI) Rengo," offering innovative solutions that meet all the packaging needs of various industries.

In response to the worldwide price hike of raw materials and fuels as well as to increases in other costs such as for miscellaneous materials and logistics, we implemented thorough cost reduction so that we can maintain the prices of our products. However, it was difficult to overcome this situation through internal efforts alone, and therefore, we revised prices for cellophane from September 2021, and for all paperboard products including containerboard from February 2022 as well as for corrugated packaging, polypropylene film, and flexible packaging.

In August 2021, Rengo opened Yodogawa Logistics Center, a new logistics center for containerboard, located on the site of the closed Yodogawa Mill (Fukushima-ku, Osaka) in the end of March 2018. The facility implemented IT in its warehouse management system and truck guidance system, and is also equipped with unmanned clamp lifts, aiming to carry out further operational reform of logistics sites. In addition, the Company relocated the Central Laboratory inside Yodogawa Logistics Center, which renovated its research and development system with the concept of "co-creation."

In September, Rengo made Taiko Paper Mfg., Ltd. (Fuji-shi, Shizuoka Prefecture) into a subsidiary after conducting business reconstruction support and consequently entered the manufacturing and sales business of kraft pulp and kraft paper.

In January 2022, to promote the White Logistics Movement, Rengo opened the Yashio Second Logistics Center, a new logistics facility for containerboard in the Kanto region.

In February and March, Rengo made Hiropax Co., Ltd. (Takasaki-shi, Gunma Prefecture) and Otsu Seikan Co., Ltd. (Otsu-shi, Shiga Prefecture) into subsidiaries respectively, and reinforced its corrugated packaging business in the Kanto, Kyoto and Shiga region. In addition, in March, Rengo made Nagai Tekko Co., Ltd. (Amagasaki-shi, Hyogo Prefecture), a company which has taken charge of designs and development of machines used in paperboard mills, and six group companies including Takigawa Corporation Japan (Funabashi-shi, Chiba Prefecture) into subsidiaries to expand its manufacturing and sales sites and product lineup for the flexible packaging business in Japan and overseas.

With regard to overseas business, in August 2021, Thai Containers Group Co., Ltd. acquired a stake of a corrugated packaging manufacturer in Indonesia through its subsidiary, expanding its corrugated packaging business in the country. In September, Vina Kraft Paper Co., Ltd. decided to construct a new containerboard mill in Vietnam to meet a strong demand for corrugated packaging in the country.

While environmental initiatives embedded in the ESG management are the top-priority issues for the Group advocating "Less is more." as the key concept, in April 2021, the Group set "Eco Challenge 2030," an environmental goal to be completed by FY2030, and subsequently raised its CO2 emission reduction target to "46% reduction compared to FY2013" in August.

As a result, net sales were ¥746.9 billion, up 9.7% year on year, and profit attributable to owners of parent was ¥28.2 billion, down 1.4% year on year. Thus, even though net sales were higher from the previous fiscal year, profit was down.

As of March 31, 2022, Rengo had 167 consolidated subsidiaries, an increase of three from the end of the previous fiscal year, and 16 affiliates accounted for using the equity method, the same as at the end of the previous fiscal year.

Sales

Net sales were ¥746.9 billion, a ¥66.2 billion increase from ¥680.7 billion in the previous fiscal year. The increase was due to an increase in the number of consolidated subsidiaries, solid demand for use with processed foods, electrical appliances and machinery, and to strong demand remaining in a wide range of applications such as e-commerce and parcel delivery.

In individual segments, net sales from the Paperboard and Packaging-Related Business increased 3.7%, net sales from the Flexible Packaging-Related Business increased 12.8%, net sales from the Heavy Duty Packaging-Related Business decreased 2.1%, net sales from the Overseas Business increased 44.0%, and net sales from other businesses increased 4.9%.

The volume of corrugated box sales increased 2.6% due to recovery of demand.

Income and Expenses

Operating Expenses and Operating Income

The cost of sales increased ¥63.8 billion from ¥547.4 billion in the previous fiscal year to ¥611.2 billion due mainly to higher prices of raw materials and fuels. Selling, general and administrative expenses increased ¥9.1 billion from ¥93.3 billion in the previous fiscal year to ¥102.4 billion due mainly to higher personnel expenses.

Operating income was ¥33.3 billion, a ¥6.6 billion decrease from ¥39.9 billion in the previous fiscal year. Although a robust demand was beneficial to an increase of sales volume, the effects of higher prices of raw materials, fuels, and fixed costs exceeding the benefit reduced the income.

Other Income and Expenses

With regard to the net balance of other income and expenses, net income in the fiscal year under review was ¥8.2 billion, compared to a net income of ¥1.3 billion in the previous fiscal year. Although gain on sales of non-current assets and gain on sale of investment securities were reported, loss on tax purpose reduction entry of non-current assets, loss on disaster, and other expenses were reported.

Income Taxes and Profit Attributable to Non-controlling Interests

Income taxes increased ¥0.2 billion from ¥12.0 billion in the previous fiscal year to ¥12.2 billion mainly owing to an increase in profit before income taxes and non-controlling interests. Profit attributable to non-controlling interests was ¥1.0 billion, up ¥0.4 billion from ¥0.6 billion for the previous year.

Profit Attributable to Owners of Parent

As a result of the above developments, profit attributable to owners of parent was ¥28.2 billion for the fiscal year under review, down ¥0.4 billion from ¥28.6 billion in the previous fiscal year. Basic earnings per share was ¥113.84, down from ¥115.51 in the previous fiscal year.

Cash dividends applicable to the fiscal year were ¥24 per share.

Financial Position and Cash Flows

Assets

Total assets were ¥934.3 billion, an increase of ¥64.3 billion from ¥870.0 billion at the end of the previous fiscal year. The net increase was comprised of a ¥41.2 billion increase in current assets, a ¥17.0 billion increase in property, plant and equipment, a ¥0.4 billion decrease in intangible assets, and a ¥6.5 billion increase in investments and other assets.

The principal factor was an increase in notes and accounts receivable-trade.

Liabilities and Net Assets

Total liabilities amounted to ¥580.0 billion, an increase of ¥34.5 billion from ¥545.5 billion at the end of the previous fiscal year due mainly to an increase in notes and accounts payable-trade and an increase in long- and short-term borrowings.

Interest-bearing debt stood at ¥353.4 billion, an increase of ¥22.8 billion from ¥330.6 billion at the end of the previous fiscal year.

Net assets were ¥354.3 billion, an increase of ¥29.8 billion compared to ¥324.5 billion at the end of the previous fiscal year due to an increase in retained earnings as a result of reporting profit attributable to owners of parent, an increase in foreign currency translation adjustment in conjunction with fluctuations in the exchange rate, and other factors.

Cash Flows

Net cash provided by operating activities amounted to ¥57.9 billion, a decrease of ¥8.1 billion from ¥66.0 billion in the previous fiscal year. The main items were profit before income taxes and non-controlling interests of ¥41.4 billion, depreciation of ¥41.7 billion, and income taxes paid of ¥13.9 billion.

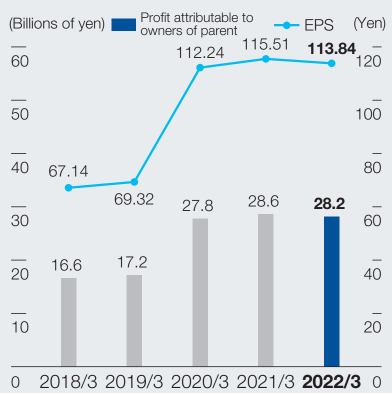
Net cash used in investing activities was up ¥8.7 billion from ¥46.0 billion in the previous fiscal year to ¥54.7 billion. The main items were purchase of property, plant and equipment amounting to ¥46.2 billion, and purchase of shares of subsidiaries and associates amounting to ¥12.7 billion.

Net cash flow provided by financing activities was ¥1.9 billion, an increase of ¥9.2 billion from ¥7.3 billion used in financing activities in the previous year. The main items were a ¥20.0 billion for proceeds from issuance of bonds, ¥10.3 billion for redemption of bonds, and dividends paid amounting to ¥6.0 billion.

As a result, cash and cash equivalents were ¥57.8 billion at the end of the fiscal year under review, an increase of ¥7.7 billion from the previous fiscal year.

Operating Income

Profit Attributable to Owners of Parent and Earnings per Share (EPS)

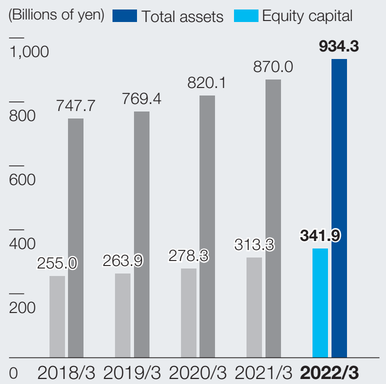


Income and Expenses as a Percentage of Net Sales

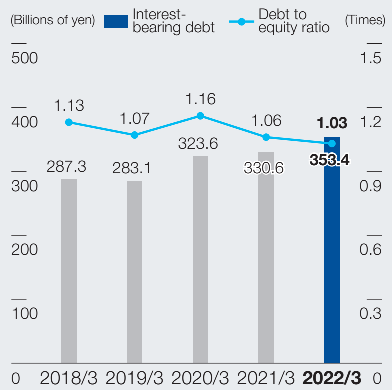
(%)

	2020/3	2021/3	2022/3
Cost of sales	80.6	80.4	81.8
SG&A expenses	13.3	13.7	13.7
Operating income	6.0	5.9	4.5
Profit attributable to owners of parent	4.1	4.2	3.8

Equity Capital and Total Assets



Interest-Bearing Debt and Debt to Equity Ratio



Return on Equity and Return on Total Assets

Risk Factors

Of the matters concerning the status of business, accounting, and so on described in this report, the main risks that management is aware of that could have a material impact on the consolidated financial condition, operating results, and cash flows are set forth below.

Forward-looking statements in this report are based on the Group's expectations and beliefs as of the end of the consolidated fiscal year under review (March 31, 2022).

1. Product Demand and Market Trends

Paperboard and corrugated packaging, the Rengo Group's main products, will be impacted substantially by trends in the domestic market. Factors causing deterioration of market conditions such as a decline in demand due to economic downturn or an intensification of competition may have an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to secure business opportunities for foodstuffs, demand for which is expected to be stable, and to build good relationships with business partners in various industries with the aim of relatively reducing impacts such as declining demand in specific industries. By creating even higher added-value packaging, the Group is taking measures to enhance competitiveness and minimize risks through proactive proposal-based marketing.

2. Raw Material and Fuel Prices

Prices for old corrugated containers, the main raw material used in the Group's products, will be affected by demand trends in China and other parts of Asia. If changes occur in the balance of supply and demand in the country, rising purchase prices may push costs higher, and this may have an impact on the Group's business performance, financial status, and so on.

The main fuels used by the Group are city gas, LNG, fuel oil, and coal. The prices of these fuels will be affected by international commodities markets, and if market prices increase, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is taking measures to minimize these risks through intensity improvement and fuel diversification using capital investment for raising productivity and conserving resources and energy.

3. Natural Disaster and Pandemic

If the Group's sites and facilities incur extensive damage as a result of a large-scale natural disaster such as an earthquake or typhoon, interruption of business activities may have an impact on the Group's business performance, financial status, and so on.

Furthermore, if the Group is forced to suspend business activities as a result of the large-scale spread of infectious disease, there may be an impact on the Group's business performance, financial status, and so on.

To address these risks, the Group is creating structures that can fulfill its supply responsibilities by supply products from its manufacturing sites located throughout the country in the event that certain business sites suspend operations.

4. Overseas Business

The Group has positioned China, Southeast Asia, and Europe as growth markets and is developing paperboard and packaging related business, as well as businesses related to flexible packaging, and heavy duty packaging in those markets. When developing business in overseas markets, the Group makes investment decisions after thoroughly examining the risks, but overseas business activities are exposed to the risks of exchange rate fluctuations, natural disasters and pandemics, and various other risks unique to each country such as economic and political risks. If these risks materialize, there may be an impact on the Group's business performance, financial status, and so on.

In response to these risks, the Group is taking measures to minimize them while companies of the Group and relevant departments in Rengo gather and share information in a timely manner so that appropriate responses can be made quickly. In the fiscal year ended March 31, 2022, overseas sales account for 16.6% of the Group's total sales.

5. Changes in Interest Rates

The Group's balance of interest-bearing debt was ¥353.4 billion as of March 31, 2022. The Group has taken diligent measures to reduce interest-bearing debt, but is exposed to risks from interest rate fluctuations, and as a result, if market interest rates increase, there may be an impact on the Group's business performance, financial status, and so on.

6. Changes in Share Prices

The Group holds shares, mainly of its business partners, and the prices of marketable shares could decrease as a result of various factors, and this could have an impact on the Group's business performance, financial status, and so on.

The Group's pension assets are affected by stock price levels, and consequently, the retirement benefit expenses can change.

7. Changes in Currency Exchange Rates

The Group is exposed to risks of exchange rate fluctuations when importing and exporting products, raw materials, and fuel, and these risks may have an impact on the Group's business performance, financial status, and so on.

8. Business Restructuring

The Group is undergoing a process of business selection and concentration in order to increase corporate value, and the occurrence of temporary losses within that process may have an impact on the Group's business performance, financial status, and so on.

9. Litigation

In the process of conducting ongoing business activities in Japan and other countries, the Group is exposed to risks of litigation arising out of intellectual property, environmental matters, and other issues. Depending on the specific details of litigation, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group endeavors to practice compliance management including compliance with laws and regulations, and to minimize risks by conducting rank-based training and education for officers and employees to raise awareness of compliance.

10. COVID-19

If the social and economic activities continue to stagnate due to the spread of COVID-19, there may be an impact on the Group's business performance, financial status, and so on.

Subsequent to the establishment of the Rengo Group Novel Coronavirus Emergency Management Headquarters, we are not only making maximum efforts to protect the safety and health of employees and to prevent the spread of infection as a member of society but are also diligently fulfilling the supplier's responsibility as a supporting industry for the delivery of daily necessities to consumers.

11. Other Risks

Risks other than those described above occurring as a result of unforeseeable circumstances are possible, and depending on the specifics of those risks, there may be an impact on the Group's business performance, financial status, and so on.

Consolidated Balance Sheets

Rengo Co., Ltd. and Consolidated Subsidiaries
(March 31, 2022 and 2021)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2022	3/2021	3/2022
Assets			
Current assets:			
Cash and deposits (Notes 5, 7 and 9)	**¥ 60,308**	¥ 52,380	$ 494,327
Receivables			
Notes and accounts receivable-trade (Note 7 and 17)	**214,656**	197,190	1,759,475
Other	**2,259**	2,221	18,516
Allowance for doubtful accounts	**(691)**	(654)	(5,663)
	216,224	198,757	1,772,327
Inventories (Note 6)	**66,237**	51,808	542,926
Other	**7,443**	6,030	61,008
Total current assets	**350,213**	308,976	2,870,598
Property, plant and equipment (Note 9):			
Buildings and structures	**296,063**	272,573	2,426,745
Machinery, equipment and vehicles	**605,807**	552,944	4,965,631
Land	**125,462**	118,608	1,028,377
Construction in progress	**12,269**	8,750	100,565
Other	**42,344**	38,807	347,081
	1,081,947	991,684	8,868,418
Less accumulated depreciation	**(697,914)**	(624,590)	(5,720,606)
Total property, plant and equipment	**384,032**	367,094	3,147,803
Intangible assets:			
Goodwill	**18,806**	19,157	154,147
Other (Note 9)	**16,109**	16,117	132,040
Total intangible assets	**34,915**	35,274	286,188
Investments and other assets:			
Investment securities (Notes 7, 8 and 9)	**139,366**	136,172	1,142,344
Long-term loans receivable	**575**	406	4,713
Net defined benefit asset (Note 12)	**3,168**	3,159	25,967
Deferred tax assets (Note 11)	**2,023**	1,946	16,581
Other (Note 9)	**21,162**	17,968	173,459
Allowance for doubtful accounts	**(1,114)**	(1,006)	(9,131)
Total investments and other assets	**165,183**	158,646	1,353,959
Total assets	**934,345**	869,992	7,658,565

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2022	3/2021	3/2022
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and the current portion of long-term debt (Notes 7, 9 and 10)	**¥ 119,158**	¥ 114,616	$ 976,704
Payables			
Notes and accounts payable-trade (Notes 7 and 9)	**129,484**	112,897	1,061,344
Other (Note 7)	**17,291**	21,487	141,729
	146,775	134,385	1,203,073
Income taxes payable	**6,183**	7,483	50,680
Provision for directors' bonuses	**239**	252	1,959
Provision for loss on liquidation of subsidiaries and affiliated companies	**—**	470	—
Other (Note 17)	**38,444**	37,538	315,114
Total current liabilities	**310,802**	294,747	2,547,557
Non-current liabilities:			
Long-term debt due after one year (Notes 7, 9 and 10)	**223,641**	206,324	1,833,122
Deferred tax liabilities (Note 11)	**21,379**	22,421	175,237
Provision for directors' retirement benefits	**649**	635	5,319
Provision for share-based remuneration for directors (and other officers)	**409**	208	3,352
Net defined benefit liability (Note 12)	**13,070**	11,578	107,131
Other (Notes 7 and 9)	**10,102**	9,614	82,803
Total non-current liabilities	**269,254**	250,782	2,207,000
Contingent liabilities (Note 13)			
Net assets (Note 14):			
Shareholders' equity:			
Capital stock:			
Authorized 800,000,000 shares Issued 271,056,029 shares	**31,066**	31,066	254,639
Capital surplus	**33,358**	33,731	273,426
Retained earnings	**238,185**	215,899	1,952,336
Treasury stock:			
23,428,544 shares (3/2022) and 23,471,185 shares (3/2021)	**(12,218)**	(12,253)	(100,147)
Total shareholders' equity	**290,392**	268,443	2,380,262
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**31,739**	35,787	260,155
Deferred gains or losses on hedges	**—**	0	—
Foreign currency translation adjustment	**15,830**	5,394	129,754
Remeasurements of defined benefit plans	**3,946**	3,701	32,344
Total accumulated other comprehensive income	**51,516**	44,883	422,262
Non-controlling interests	**12,379**	11,136	101,467
Total net assets	**354,289**	324,463	2,904,008
Total liabilities and net assets	**934,345**	869,992	7,658,565

Consolidated Statements of Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2022 and 2021)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2022	3/2021	3/2022
Net sales (Note 17 and 18)	¥ 746,926	¥ 680,714	$ 6,122,344
Cost of sales	611,210	547,432	5,009,918
Selling, general and administrative expenses (Note 16)	102,436	93,342	839,639
Operating income (Note 18)	33,279	39,938	272,778
Other income (expenses):			
Interest and dividend income	2,157	2,350	17,680
Equity in earnings of affiliates	2,274	2,632	18,639
Interest expenses	(1,605)	(1,670)	(13,155)
Gain on sales of non-current assets	4,564	34	37,409
Gain on sales of investment securities	2,209	698	18,106
Insurance claim income	1,065	130	8,729
Subsidy income	910	303	7,459
Loss on tax purpose reduction entry of non-current assets	(911)	(302)	(7,467)
Loss on disaster	(711)	(227)	(5,827)
Loss on sales of investment securities	(610)	—	(5,000)
Loss on sales and retirement of non-current assets	(610)	(1,327)	(5,000)
Provision for loss on liquidation of subsidiaries and affiliated companies	—	(470)	—
Other, net	(574)	(885)	(4,704)
Profit before income taxes and non-controlling interests	41,437	41,204	339,647
Income taxes (Note 11):			
Income taxes-current	12,167	12,672	99,729
Income taxes-deferred	34	(695)	278
Total income taxes	12,202	11,976	100,016
Profit	29,234	29,228	239,622
Profit attributable to non-controlling interests	1,045	628	8,565
Profit attributable to owners of parent	28,188	28,599	231,049

	Yen		U.S. dollars (Note 1)
	3/2022	3/2021	3/2022
Per share data:			
Basic earnings per share	¥ 113.84	¥ 115.51	$ 0.93
Diluted earnings per share	—	—	—
Cash dividends applicable to the year	24.00	24.00	0.20

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2022 and 2021)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2022	3/2021	3/2022
Profit	¥ 29,234	¥ 29,228	$ 239,622
Other comprehensive income (Note 15):			
Valuation difference on available-for-sale securities	(4,372)	12,252	(35,836)
Foreign currency translation adjustment	7,793	(815)	63,877
Remeasurements of defined benefit plans	209	2,761	1,713
Share of other comprehensive income of entities accounted for using equity method	3,528	(1,769)	28,918
Total other comprehensive income	7,159	12,428	58,680
Comprehensive income	36,394	41,657	298,311
(Comprehensive income attributable to)			
Owners of parent	34,865	40,978	285,778
Non-controlling interests	1,528	678	12,524

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2022 and 2021)

	Thousands	Millions of yen									
	Number of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at March 31, 2020	271,056	¥ 31,066	¥ 33,388	¥ 193,183	¥ (11,945)	¥ 23,655	¥ 0	¥ 7,887	¥ 1,017	¥10,565	¥ 288,820
Dividends from surplus				(5,953)							(5,953)
Profit attributable to owners of parent				28,599							28,599
Purchase of treasury stock					(812)						(812)
Disposal of treasury stock			305		503						809
Other			36	69							106
Net changes in items other than shareholders' equity						12,132	0	(2,493)	2,683	570	12,893
Balance at March 31, 2021	271,056	31,066	33,731	215,899	(12,253)	35,787	0	5,394	3,701	11,136	324,463
Dividends from surplus				(5,965)							(5,965)
Profit attributable to owners of parent				28,188							28,188
Purchase of treasury stock					(1)						(1)
Disposal of treasury stock			0		36						36
Other			(372)	63							(309)
Net changes in items other than shareholders' equity						(4,047)	(0)	10,435	245	1,243	7,877
Balance at March 31, 2022	**271,056**	**31,066**	**33,358**	**238,185**	**(12,218)**	**31,739**	**—**	**15,830**	**3,946**	**12,379**	**354,289**

	Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at March 31, 2021	$ 254,639	$ 276,483	$ 1,769,663	$ (100,434)	$ 293,336	$ 0	$ 44,213	$ 30,336	$ 91,278	$ 2,659,532
Dividends from surplus			(48,893)							(48,893)
Profit attributable to owners of parent			231,049							231,049
Purchase of treasury stock				(8)						(8)
Disposal of treasury stock		0		295						295
Other		(3,049)	516							(2,532)
Net changes in items other than shareholders' equity					(33,172)	(0)	85,532	2,008	10,188	64,565
Balance at March 31, 2022	**254,639**	**273,426**	**1,952,336**	**(100,147)**	**260,155**	**—**	**129,754**	**32,344**	**101,467**	**2,904,008**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2022 and 2021)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2022	3/2021	3/2022
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	**¥ 41,437**	¥ 41,204	$ 339,647
Depreciation and amortization	**41,723**	38,114	341,991
Impairment loss	**81**	13	663
Amortization of goodwill	**2,170**	1,940	17,786
Increase (decrease) in provision for directors' retirement benefits	**(196)**	(372)	(1,606)
Increase (decrease) in net defined benefit liability	**492**	762	4,032
Interest and dividend income	**(2,157)**	(2,350)	(17,680)
Interest expenses	**1,605**	1,670	13,155
Equity in (earnings) losses of affiliates	**(2,274)**	(2,632)	(18,639)
Loss (gain) on sales of investment securities	**(1,598)**	(698)	(13,098)
Loss (gain) on valuation of investment securities	**102**	(64)	836
Loss (gain) on sales of property, plant and equipment	**(4,410)**	58	(36,147)
Loss on retirement of property, plant and equipment	**836**	1,234	6,852
Decrease (increase) in notes and accounts receivable-trade	**(12,421)**	(117)	(101,811)
Decrease (increase) in inventories	**(10,298)**	1,114	(84,409)
Increase (decrease) in notes and accounts payable-trade	**15,160**	(2,175)	124,262
Other, net	**(134)**	1,489	(1,098)
Subtotal	**70,118**	79,192	574,737
Interest and dividend income received	**3,254**	3,255	26,672
Interest expenses paid	**(1,618)**	(1,704)	(13,262)
Income taxes paid	**(13,859)**	(14,743)	(113,598)
Net cash provided by (used in) operating activities	**57,893**	66,000	474,532
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	**16**	90	131
Purchase of property, plant and equipment	**(46,216)**	(39,553)	(378,819)
Proceeds from sales of property, plant and equipment	**381**	411	3,122
Purchase of intangible assets	**(1,739)**	(1,455)	(14,254)
Purchase of investment securities	**(527)**	(1,868)	(4,319)
Proceeds from sales and redemption of investment securities	**6,583**	1,686	53,959
Purchase of shares of subsidiaries and associates	**(12,741)**	—	(104,434)
Net decrease (increase) in short-term loans receivable	**(0)**	(438)	(0)
Payments of long-term loans receivable	**(118)**	(75)	(967)
Collection of long-term loans receivable	**224**	313	1,836
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(551)**	(5,088)	(4,516)
Other, net	**10**	(29)	81
Net cash provided by (used in) investing activities	**(54,680)**	(46,007)	(448,196)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	**(4,735)**	973	(38,811)
Proceeds from long-term loans payable	**36,459**	45,439	298,844
Repayment of long-term loans payable	**(29,171)**	(36,517)	(239,106)
Proceeds from issuance of bonds	**20,000**	—	163,934
Redemption of bonds	**(10,302)**	(5,080)	(84,442)
Purchase of treasury stock	**(1)**	(812)	(8)
Proceeds from sales of treasury stock	**36**	809	295
Cash dividends paid	**(5,965)**	(5,953)	(48,893)
Repayments of lease obligations	**(3,358)**	(2,864)	(27,524)
Other, net	**(1,099)**	(3,287)	(9,008)
Net cash provided by (used in) financing activities	**1,860**	(7,293)	15,245
Effect of exchange rate change on cash and cash equivalents	**1,707**	(202)	13,991
Net increase (decrease) in cash and cash equivalents	**6,781**	12,497	55,581
Cash and cash equivalents at beginning of year	**50,099**	37,528	410,647
Increase in cash and cash equivalents from newly consolidated subsidiaries	**953**	—	7,811
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**—**	74	—
Cash and cash equivalents at end of year (Note 5)	**57,835**	50,099	474,057

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Rengo Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The amounts for each account and the sum of the accounts are translated from Japanese yen into U.S. dollars separately. Therefore, the total amount for each account after translation does not equal the translated amount for the sum of the accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 167 (164 in FY2020 ended March 31, 2021) significant subsidiaries over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. There are 120 subsidiaries consolidated on the basis of fiscal years ending on December 31, which differs from the date of the Company. However, necessary adjustments have been made if the effect of the difference is material.

Investments in 16 (16 in FY2020 ended March 31, 2021) unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for the equity method and, accordingly, stated at cost adjusted for the equity in the undistributed earnings and losses from the date of acquisition.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion attributable to non-controlling interests is charged or credited to non-controlling interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated based on the fair value at the time the Company acquired control of the subsidiaries. Goodwill is amortized on a straight-line basis over the period in which the economic benefits are expected to be realized. However, if the economic benefits are not expected to be realized in the future, goodwill is fully expensed. Negative goodwill acquired prior to March 31, 2010 is amortized on a straight-line basis continuously.

(2) Translation of Foreign Currencies

A. Translation of Foreign Currencies Receivables and Payables

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end rates.

B. Translation of Foreign Currency Financial Statements

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at fiscal year-end rates except for shareholders' equity accounts, which are translated at historical rates. The income statements of the consolidated overseas subsidiaries are translated at the fiscal year-end rates except for transactions with the Company, which are translated at rates used by the Company.

Differences arising from the application of the processes stated above are presented separately in the consolidated financial statements in "Foreign currency translation adjustment" and "Non-controlling interests."

(3) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses on unrecoverable receivables. The Companies provide the allowance for doubtful accounts for normal receivables based on the historical rate of loss and for specific doubtful accounts based on an individual evaluation.

(4) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities other than equity securities without market prices are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported net of applicable income taxes as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities which are equity securities without market prices are stated at moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies or available-for-sale securities other than equity securities without market prices declines significantly and is not expected to recover, such securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the net asset value of equity securities issued by unconsolidated subsidiaries and affiliated companies without market prices or available-for-sale securities which are equity securities without market prices declines significantly, such securities should be written down to net asset value with a corresponding charge in the statement of income. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal year.

(5) Inventories

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

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

(6) Property, Plant and Equipment (Except Lease Assets)

Property, plant and equipment are carried at cost. Depreciation is computed mainly by the declining balance method over the estimated useful life of the assets in accordance with the Corporation Tax Law of Japan. Buildings acquired after March 31, 1998 and facilities attached to buildings and structures acquired after March 31, 2016 are depreciated by the straight-line method.

(7) Intangible Assets (Except Lease Assets)

The Companies include internal use software in other intangible assets and amortize it using the straight-line method over the estimated useful life of 5 years.

Other intangible assets are mainly amortized using the straight-line method over the estimated useful life in accordance with the Corporation Tax Law of Japan.

(8) Lease Assets

Property, plant and equipment capitalized under finance lease arrangements without the transfer of ownership are depreciated over the lease term of the respective assets with the residual book value as zero.

(9) Provision for Directors' Bonuses

The Companies provide for directors' and audit & supervisory board members' bonuses applicable to the current fiscal year based on the projected amounts of payment.

(10) Provision for Directors' Retirement Benefits

Certain domestic consolidated subsidiaries pay lump-sum retirement benefits to directors and audit & supervisory board members. In accordance with internal rules, those subsidiaries provide the amounts that would be required if all the directors and audit & supervisory board members retired at the balance sheet date.

(11) Provision for Share-Based Remuneration for Directors (And Other Officers)

Provision for share-based remuneration for directors (and other officers) is provided in accordance with internal rules at the estimated amount of the obligation to deliver shares to directors and other officers of the Company.

(12) Allowance for Investment Loss

Allowance for investment loss is provided at the estimated amount of possible investment losses for unconsolidated subsidiaries and affiliated companies, according to internal rules, considering the financial condition of the investees.

The allowances deducted directly from the amounts of investment securities in FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to ¥8 million (U.S. $65 thousand) and ¥56 million, respectively.

(13) Income Taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(14) Net Defined Benefit Liability

When calculating retirement benefit obligations, a benefit formula basis is used to distribute the estimated amount of retirement benefits into the period up to the end of the current fiscal year.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Differences generated from changes in actuarial assumptions are amortized for the subsequent fiscal years on a straight-line basis over mainly 13 years, which is shorter than the average remaining service periods of the employees. Past service costs are amortized as incurred over certain periods (10 years), which is shorter than the average remaining service periods of the employees.

(15) Derivative Transactions and Hedge Accounting

In principle, the Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, in cases in which forward foreign exchange contracts, etc., are used as hedges and meet certain hedging criteria, forward foreign exchange contracts, etc., and hedged items are accounted for in the following manner ("Appropriate treatment"):

A. If a forward foreign exchange contract, etc., is executed to hedge existing assets and liabilities denominated in a foreign currency;

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and;

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

B. If a forward foreign exchange contract, etc., is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

Appropriate treatment is adopted for assets and liabilities denominated in foreign currencies which are subject to foreign exchange forward contracts or currency swaps in order to hedge exchange rate fluctuation when they qualify for hedge accounting.

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

(Hedging relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied)

Of the above hedging relationships, the Companies have applied the exception set out in the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR "(PITF No.40, March 17, 2022) to all of those hedging relationships that are within the scope of the Practical Solution. The details of the hedging relationships to which the Practical Solution is applied are as follows.

Method of hedge accounting: special treatment for interest rate swaps
Hedging instrument: interest rate swaps
Hedged item: interest expenses
Type of hedge: cash flow hedge

(16) Reclassifications

Certain reclassifications of the financial statements for FY2020 ended March 31, 2021 have been made to conform to the presentation for FY2021 ended March 31, 2022.

(17) Earnings Per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding during the fiscal year.

Diluted earnings per share for FY2021 and FY2020 ended March 31, 2022 and 2021 are not disclosed because there were no outstanding dilutive potential common stock equivalents.

Cash dividends per share represent actual amounts applicable to the respective fiscal years.

(18) Accounting policy for recognition of significant revenues and expenses

The Companies principally manufacture and sell products of paperboard and packaging-related business, flexible packaging-related business, heavy duty packaging-related business, overseas business and other businesses. Revenue from sale of those products is recognized when they are delivered to customers because the Companies believe that the customers obtain control of the products and the performance obligation is satisfied at the time of delivery of the products. Revenue is measured at amounts less discounts, rebates, etc.

Revenue for products sold for which the Companies are determined to be acting as an agent is recognized at the net amount of consideration the Companies retain after paying the other party the consideration received in exchange for the products to be provided by that party.

In addition, the Companies do not recognize as revenue the consideration received from suppliers for transactions in which the Companies supply raw materials for a fee, buy back the processed products and then sell them to third parties.

The promised amount of consideration does not contain a significant financial component as it is paid approximately within three months from the time the performance obligation is satisfied.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The Company calculates amount of accounting estimates rationally based on information available when preparing the consolidated financial statements. The following items are accounting estimates that were recorded in the consolidated financial statements for the current fiscal year that could have a significant impact on the consolidated financial statements for the following fiscal year.

(1) Impairment of Goodwill

A. Carrying amounts in the current year's consolidated financial statements

Goodwill related to the overseas business includes the amount of ¥10,114 million (U.S. $82,901 thousand) (¥9,877 million for the previous fiscal year) arising from the acquisition of TRICOR Packaging & Logistics AG by Tri-Wall Europe GmbH, a consolidated subsidiary located in Germany, that follows International Financial Reporting Standards (IFRSs). The Company conducted an annual impairment test for the goodwill in accordance with IFRSs to determine whether it was necessary to recognize an impairment loss. As a result of the impairment test, the Company concluded that there was no impairment loss to be recorded as the recoverable amount exceeded the carrying amount.

B. Other information that assists users of the consolidated financial statements in understanding the nature of the estimates

Foreign subsidiaries which have adopted IFRSs are required to conduct an impairment test annually and when there is an indication of impairment indicator for groups of cash-generating units to which goodwill is allocated. The Company reduces the carrying amount to the recoverable amount and recognizes the resulting decrease in the carrying amount, except for the amount that has been amortized in accordance with J-GAAP, as an impairment loss when the recoverable amount is less than the carrying amount. The recoverable amount is measured on the basis of value in use.

The future cash flows used to measure the value in use were estimated based on the business plan of TRICOR Packaging & Logistics, which contains the assumptions of the expected increase in the sales volume in Germany and the improvement of the profit margin, and the terminal growth rate applied in the following periods.

Forecasts of the effects of the above assumptions could have a significant impact on estimates of future cash flows due to the high degree of uncertainty.

(2) Impairment of Non-Current Assets

A. Carrying amounts in the current year's consolidated financial statements

The Company examined whether it was necessary to recognize an impairment loss on non-current assets of RG Container Co., Ltd., a consolidated subsidiary that operates the paperboard and packaging-related business, as we recognized that there was an indication of operating income continued to decline primarily due to a decreasing sales volume. As a result of the impairment test, the Company concluded that there was no impairment loss to be recorded as the total amount of undiscounted future cash flows exceeded the carrying amount of related non-current assets of ¥10,488 million (U.S. $85,967 thousand), which consisted of ¥10,458 million (U.S. $85,721 thousand) of property, plant and equipment and ¥29 million (U.S. $237 thousand) of intangible assets. The book value of non-current assets for the previous fiscal year was ¥10,620 million, which consisted of ¥10,589 million of property, plant and equipment and ¥31 million of intangible assets.

B. Other information that assists users of the consolidated financial statements in understanding the nature of the estimates

It is necessary to determine whether an impairment loss should be recognized by comparing the carrying amount with the total amount of undiscounted future cash flows generated from the asset group. The Company reduces the carring amount to the recoverable amount, which is measured at the higher of net selling price or value in use, and recognizes the decrease in the carrying amount as an impairment loss when it is necessary to recognize an impairment loss as the total amount of undiscounted future cash flows is less than the carrying amount.

The future cash flows were estimated based on the business plan of RG Container Co., Ltd., which contains the assumptions upon which are based the prospects for future demand for paperboard in the Kanto region, the development status of RG Containers' production system and a projected increase in production volume due to a production transfer from the Company.

Forecasts of the effects of the above assumptions could have a significant impact on estimates of future cash flows due to the high degree of uncertainty.

4. CHANGE IN ACCOUNTING POLICIES

(New Accounting Pronouncements and Accounting Changes - Application of accounting standards for revenue recognition)

"Accounting standards for revenue recognition" (ASBJ Statement No. 29, March 31, 2020), etc. shall be applied from the beginning of the current fiscal year, and revenue shall be recognized at the amount expected to be received in exchange for the promised goods or services when the control of the promised goods or services is transferred to the customer.

As a result of determining the role (principal or agent) of the Company in delivering goods or services to customers, the Company has changed its method of recognizing revenues from the total amount of consideration received from customers to a net amount less payments to suppliers.

In addition, in the past, consideration received from suppliers was recognized as revenue in the case of transactions in which raw materials are supplied for a fee, processed products are purchased back, and then sold to third parties. However, this has been changed to a method in which such revenue is not recognized.

In accordance with the transitional treatment prescribed in Accounting Standards for Revenue Recognition, the proviso of paragraph 84, the cumulative effect of retroactive application of he new accounting policy prior to the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the balance at the beginning of the current fiscal year.

As a result, net sales for the current fiscal year decreased by ¥13,760 million (U.S. $112,786 thousand), cost of sales decreased by ¥12,065 million (U.S. $98,893 thousand), and selling, general and administrative expenses decreased by ¥1,700 million (U.S. $13,934 thousand). The impact on operating income, profit before income taxes and non-controlling interests, and retained earnings on the balance at the beginning of the fiscal year and per share information is immaterial.

In accordance with the transitional treatment prescribed in Accounting Standards for Revenue Recognition, paragraph 89-3, notes on revenue recognition for the previous fiscal year are not stated.

(New Accounting Pronouncements and Accounting Changes - Application of Accounting Standards for Fair Value Measurement)

"Accounting Standards for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) shall be applied from the beginning of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of Accounting Standards for Fair Value Measurement and paragraph 44-2 of Accounting Standards for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company prospectively applied the new accounting policies prescribed in Accounting Standard for Fair Value Measurement.There is no impact on the consolidated financial statements.

In addition, fair value information of financial instruments by level of inputs is disclosed in the notes of "Financial Instruments". However, following the transitional treatment in paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, July 4, 2019), relevant information for the pevious fiscal year is not provided.

5. CASH FLOW STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents comprised cash on hand, bank deposits that were withdrawable on demand and short-term highly liquid investments due within three months at date of purchase and substantially free from any price fluctuation risk.

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Cash and deposits	¥ 60,308	¥ 52,380	$ 494,327
Less: Time deposits with maturities exceeding three months	(2,472)	(2,280)	(20,262)
Cash and cash equivalents	57,835	50,099	474,057

6. INVENTORIES

Inventories at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Merchandise and finished goods	¥ 32,063	¥ 25,858	$ 262,811
Work in process	5,117	3,773	41,942
Raw materials and supplies	29,056	22,176	238,163
Total	66,237	51,808	542,926

7. FINANCIAL INSTRUMENTS

(1) Status of Financial Instruments

A. Policies for using financial instruments

The Companies set up the fund management plan based on the plan for capital expenditures and investments and procure the necessary long-term funds by borrowing from banks and issuing corporate bonds. The Companies raise short-term working capital for the ordinary business activities by bank loans and manage temporary surplus funds through financial assets that have a high level of safety. The Company and certain consolidated subsidiaries utilize derivative financial instruments to hedge interest rate fluctuation risk on long-term borrowings and foreign currency exchange rate fluctuation risk arising from export and import transactions denominated in foreign currencies and do not enter into derivative transactions for speculative purposes or with the high level of leveraged effect.

B. Details of financial instruments and associated risk and the risk management system

Notes and accounts receivable arising from operations are exposed to the credit risk of customers. The Companies set a credit limit for such business partners and manage the outstanding balances under credit management rules.

Investment securities are primarily the stocks of companies with which the Companies have business relationships and are exposed to market price fluctuation risk. The Companies periodically evaluate the fair value of these securities and monitor the issuing company and review its policies for holding stocks.

Trade notes and accounts payable are due within one year.

In addition, certain receivables and payables are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations. The Company and certain subsidiaries use forward foreign exchange contracts to hedge the risk of such exchange rate fluctuations.

The Companies generally raise the working capital required for business transactions through short-term loans and procure long-term funds required for capital expenditure, investment and loans receivable through long-term loans and bond issuances. Although some long-term loans are exposed to the risks of fluctuations in interest rates and exchange rates, the Companies hedge the risks with derivative transactions such as interest rate swaps and currency swaps. The risks of fluctuations in interest rates and exchange rates have been assumed to be completely hedged over the period of the hedging contracts as the major conditions of the hedging instruments and hedged items are consistent. Accordingly, an evaluation of the effectiveness of the hedging contracts is unnecessary.

The derivative transactions are executed and managed by the Finance and Accounting Group in accordance with its established policies. In using derivative transactions, the Companies mitigate counterparty risk by conducting transactions with highly creditworthy financial institutions. The Companies recognize almost no risk of default.

The Companies manage liquidity risk associated with trade payable and fund procurement (payment default risk) by creating and updating monthly cash flow plans as needed.

C. Supplemental information on fair values

The fair value of financial instruments is based on market prices or estimates of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions.

(2) Fair Values of Financial Instruments

The book value, the fair value and any differences of the financial instruments presented in the consolidated balance sheets as of March 31, 2022 and 2021 are set forth in the tables below.

	Millions of yen						Thousands of U.S. dollars		
	3/2022			3/2021			3/2022		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment securities									
Available-for-sale securities	**¥ 81,215**	**¥ 81,215**	**¥ —**	¥ 91,810	¥ 91,810	¥ —	$ 665,696	$ 665,696	$ —
Equity securities issued by affiliated companies	**15,077**	**7,269**	**(7,807)**	13,848	7,527	(6,321)	123,581	59,581	(63,991)
Total assets	**96,292**	**88,485**	**(7,807)**	105,659	99,337	(6,321)	789,278	725,286	(63,991)
Current portion of bonds	**5,061**	**5,069**	**7**	10,030	10,042	11	41,483	41,549	57
Bonds payable	**80,000**	**79,518**	**(481)**	65,030	64,971	(58)	655,737	651,786	(3,942)
Long-term loans payable (including current portion)	**183,574**	**183,048**	**(526)**	173,525	173,362	(162)	1,504,704	1,500,393	(4,311)
Total liabilities	**268,636**	**267,635**	**(1,000)**	248,585	248,376	(208)	2,201,934	2,193,729	(8,196)
Derivative transactions *3									
(a) Hedge accounting not applied	**0**	**0**	**—**	(1)	(1)	—	0	0	—
(b) Hedge accounting applied	**—**	**—**	**—**	0	0	—	—	—	—
Total derivative transactions	**0**	**0**	**—**	(0)	(0)	—	0	0	—

*1 "Cash and deposits", "Notes and accounts receivable-trade", "Notes and accounts payable-trade", "Short-term borrowings(excluding current portion of long-term loans payable")" are not included in the table above because the book value and the fair value of these items are essentially equivalent as they are either cash or items to be settled in the short term.

*2 Equity securities without market prices are not included in investment securities. The carrying amount of those financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Available-for-sale securities	**¥ 3,208**	¥ 3,079	$ 26,295
Equity securities issued by unconsolidated subsidiaries and affiliated companies	**39,865**	27,432	326,762

*3 Amounts shown are net of assets and liabilities derived from derivative transactions. Net liability items in the total are shown in parentheses.

Note (1) The redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2022 and 2021 was as follows:

	Millions of yen			
	3/2022			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	**¥ 60,308**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable-trade	**214,656**	**—**	**—**	**—**
Investment securities				
Available-for-sale securities	**—**	**—**	**—**	**120**
Total	**274,964**	**—**	**—**	**120**

	Millions of yen			
	3/2021			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 52,380	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	197,190	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	249,570	—	—	120

	Thousands of U.S. dollars			
	3/2022			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	$ 494,327	$ —	$ —	$ —
Notes and accounts receivable-trade	1,759,475	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	983
Total	2,253,803	—	—	983

Note (2) The repayment schedule of long-term debt, lease debt and others subsequent to March 31, 2022 and 2021 was as follows:

	Millions of yen					
	3/2022					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	**¥ 74,163**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term debt	**44,994**	**41,860**	**29,037**	**26,170**	**40,760**	**85,813**
Lease debt	**3,333**	**2,721**	**1,900**	**1,187**	**627**	**820**
Others	**13**	**10**	**0**	**—**	**—**	**—**
Total	**122,505**	**44,591**	**30,938**	**27,358**	**41,387**	**86,634**

	Millions of yen					
	3/2021					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 72,356	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	42,260	34,646	38,596	26,117	21,254	85,710
Lease debt	2,805	2,415	2,075	956	485	926
Others	15	13	10	0	—	—
Total	117,436	37,075	40,681	27,074	21,740	86,636

	Thousands of U.S. dollars					
	3/2022					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 607,893	$ —	$ —	$ —	$ —	$ —
Long-term debt	368,803	343,114	238,008	214,508	334,098	703,385
Lease debt	27,319	22,303	15,573	9,729	5,139	6,721
Others	106	81	0	—	—	—
Total	1,004,139	365,500	253,590	224,245	339,237	710,114

(3) Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used in measuring fair values, fair value information of financial instruments is presented by categorizing fair values into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: the fair value measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company classifies the fair value into a category to which the lowest priority is given.

A. Financial instruments measured at fair values in the consolidated balance sheets

Classification	Millions of yen 3/2022 fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	¥ 81,215	¥ —	¥ —	¥ 81,215
Derivative transactions				
Hedge accounting not applied	—	0	—	0
Total assets	81,215	0	—	81,216

Classification	Thousands of U.S. dollars 3/2022 fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	$ 665,696	$ —	$ —	$ 665,696
Derivative transactions				
Hedge accounting not applied	—	0	—	0
Total assets	665,696	0	—	665,704

B. Financial instruments other than those measured at fair values in the consolidated balance sheets

Classification	Millions of yen 3/2022 fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies	¥ 7,269	¥ —	¥ —	¥ 7,269
Total assets	7,269	—	—	7,269
Current portion of bonds	—	5,069	—	5,069
Bonds payable	—	79,518	—	79,518
Long-term loans payable (including current portion)	—	183,048	—	183,048
Total liabilities	—	267,635	—	267,635

Classification	Thousands of U.S. dollars 3/2022 fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies	$ 59,581	$ —	$ —	$ 59,581
Total assets	59,581	—	—	59,581
Current portion of bonds	—	41,549	—	41,549
Bonds payable	—	651,786	—	651,786
Long-term loans payable (including current portion)	—	1,500,393	—	1,500,393
Total liabilities	—	2,193,729	—	2,193,729

(Note) Valuation techniques and inputs used in measuring fair values

Investment securities

Listed equity securities are measured using quoted prices. Fair value of listed equity securities are classified as level 1 fair value, because they are exchanged in active markets.

Current portion of bonds and Bonds payable

The fair value of bonds is based on market prices for those with market prices, and the fair value of those without market prices is measured by the discounted present value of the total amount of principal and interest using interest rates for the remaining period of the bonds payable adjusted by credit risks. Fair value of bonds is classified as Level 2 fair value.

Long-term loans payable (including current portion)

The carrying amount of long-term loans payable with floating interest rates approximates their fair value because the fair value reflects market interest rates in a short period of time and the Company's credit status has not changed significantly since the execution of the loans. Those with fixed interest rates are measured by the discounted present value of the total amount of principal and interest(*) using interest rates for the remaining period of the bonds payable adjusted by credit risks. Fair value of long-term loans payable is classified as Level 2 fair value.

(*) For long-term loans payable using interest rate swaps subject to special treatment or currency swaps subject to appropriate treatment, the fair value is computed by discounting the total amount of principal and interest on the loans, together with these interest rate swaps or currency swaps.

Derivative transactions

The fair value of derivative transactions is based on prices provided by counterparty financial institutions and is classified as Level 2 fair value. The fair value of interest rate swaps that are accounted for as special treatment or currency swaps that meet specific matching criteria are included in the fair value of the relevant long-term loans payable because they are accounted for as an integral part of the long-term loans payable that are hedged items.

8. INFORMATION ON SECURITIES

(1) Acquisition Costs and Book Values (Fair Values) of Available-for-Sale Securities with Available Fair Values

The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2022 and 2021.

	Millions of yen						Thousands of U.S. dollars		
	3/2022			3/2021			3/2022		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:									
Equity securities	¥72,493	¥24,522	¥47,970	¥84,510	¥30,391	¥54,119	$594,204	$201,000	$393,196
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	72,493	24,522	47,970	84,510	30,391	54,119	594,204	201,000	393,196
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities	8,722	10,454	(1,732)	7,299	8,939	(1,639)	71,491	85,688	(14,196)
Bonds	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	8,722	10,454	(1,732)	7,299	8,939	(1,639)	71,491	85,688	(14,196)
Total	81,215	34,977	46,238	91,810	39,330	52,479	665,696	286,696	379,000

(2) Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to ¥6,570 million (U.S. $53,852 thousand) and ¥1,686 million, respectively. The related gains for FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to ¥2,209 million (U.S. $18,106 thousand) and ¥698 million, respectively. The related losses for FY2021 ended March 31, 2022 amounted to ¥610 million (U.S. $5,000 thousand) (none for FY2020 ended March 31, 2021).

9. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral including factory foundation for short-term borrowings and the current portion of long-term debt of ¥2,238 million (U.S. $18,344 thousand), long-term debt of ¥497 million (U.S. $4,073 thousand), accounts payable-trade of ¥373 million (U.S. $3,057 thousand) and others of ¥1,061 million (U.S. $8,696 thousand) at March 31, 2022 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 17,734	$ 145,360
Machinery, equipment and vehicles	23,075	189,139
Land	33,678	276,049
Investment securities	2,348	19,245
Other	865	7,090
Total	77,701	636,893

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	3/2022	3/2021	3/2022	3/2022
Short-term borrowings	¥ 74,163	¥ 72,356	$ 607,893	0.50%
Current portion of long-term debt	44,994	42,260	368,803	0.56
Total	119,158	114,616	976,704	—

Long-term debt at March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Loans mainly from banks and insurance companies			
(3/2022: due in 3/2036, with interest rates ranging from 0.05% to 4.1%, 3/2021: due in 3/2035, with interest rates ranging from 0.05% to 4.1%)	¥ 183,574	¥ 173,525	$ 1,504,704
Issued by Rengo Co., Ltd.			
Unsecured 0.451% straight bonds, due September 2021	—	10,000	—
Unsecured 0.498% straight bonds, due September 2022	5,000	5,000	40,983
Unsecured 0.280% straight bonds, due December 2023	10,000	10,000	81,967
Unsecured 0.270% straight bonds, due December 2024	5,000	5,000	40,983
Unsecured 0.390% straight bonds, due December 2026	10,000	10,000	81,967
Unsecured 0.210% straight bonds, due December 2026	10,000	10,000	81,967
Unsecured 0.160% straight bonds, due December 2026	10,000	—	81,967
Unsecured 0.410% straight bonds, due December 2027	5,000	5,000	40,983
Unsecured 0.415% straight bonds, due December 2028	10,000	10,000	81,967
Unsecured 0.300% straight bonds, due December 2029	10,000	10,000	81,967
Unsecured 0.310% straight bonds, due December 2031	10,000	—	81,967
Issued by Kinyosha Printing Co., Ltd.			
Unsecured 6-month yen TIBOR bonds, due May 2022	31	—	254
Issued by Sanyo Kakoshi Co., Ltd.			
Unsecured 6-month yen TIBOR bonds, due March 2023	30	60	245
	268,635	248,585	2,201,926
Less current portion	(44,994)	(42,260)	(368,803)
	223,641	206,324	1,833,122

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

	Millions of yen	Thousands of U.S. dollars
3/2023	¥ 44,994	$ 368,803
3/2024	41,860	343,114
3/2025	29,037	238,008
3/2026	26,170	214,508
3/2027 and thereafter	126,573	1,037,483
Total	268,635	2,201,926

11. INCOME TAXES

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

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Deferred tax assets:			
Carryforward tax loss (Note (2))	¥ 6,061	¥ 4,669	$ 49,680
Net defined benefit liability	3,653	3,235	29,942
Accrued bonuses	2,975	2,876	24,385
Write-down of golf club memberships	424	402	3,475
Provision for directors' retirement benefits	279	206	2,286
Loss on valuation of investment securities	1,025	997	8,401
Allowance for doubtful accounts	258	215	2,114
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	274	279	2,245
Accrued enterprise taxes	433	501	3,549
Impairment loss	847	353	6,942
Other	2,109	2,135	17,286
Subtotal deferred tax assets	18,343	15,872	150,352
Valuation reserve for carryforward tax loss (Note (2))	(5,873)	(4,283)	(48,139)
Valuation reserve for deductible temporary differences	(3,830)	(2,846)	(31,393)
Subtotal valuation reserve (Note (1))	(9,703)	(7,130)	(79,532)
Total deferred tax assets	8,640	8,741	70,819
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(14,126)	(16,040)	(115,786)
Deferred gain tax treatment of property	(3,469)	(2,875)	(28,434)
Non-current assets revaluation difference, net of taxes unrealized gain	(6,818)	(6,604)	(55,885)
Trademark rights	(1,873)	(1,909)	(15,352)
Other	(1,707)	(1,785)	(13,991)
Total deferred tax liabilities	(27,995)	(29,216)	(229,467)
Net deferred tax assets (liabilities)	(19,355)	(20,474)	(158,647)

(Note (1)) Increase in valuation reserve by ¥2,573 million (U.S. $21,090 thousand) was mainly caused by a newly consolidated subsidiary, which had valuation reserve for carryforward tax loss ¥1,087 million (U.S. $8,909 thousand) and valuation reserve for deductible temporary differences ¥1,149 million (U.S. $9,418 thousand).

(Note (2)) Carryforward tax loss and its deferred tax assets by expiration periods

	Millions of yen						
	3/2022						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	¥ 304	¥ 458	¥ 582	¥ 518	¥ 584	¥ 3,613	¥ 6,061
Valuation reserve	(297)	(457)	(561)	(509)	(584)	(3,462)	(5,873)
Net deferred tax assets	6	0	20	9	0	151	187

	Millions of yen						
	3/2021						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	¥ 225	¥ 262	¥ 448	¥ 512	¥ 630	¥ 2,590	¥ 4,669
Valuation reserve	(220)	(262)	(448)	(512)	(508)	(2,331)	(4,283)
Net deferred tax assets	5	—	—	—	121	259	386

	Thousands of U.S. dollars						
	3/2022						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	$ 2,491	$ 3,754	$ 4,770	$ 4,245	$ 4,786	$ 29,614	$ 49,680
Valuation reserve	(2,434)	(3,745)	(4,598)	(4,172)	(4,786)	(28,377)	(48,139)
Net deferred tax assets	49	2	163	73	2	1,237	1,532

(*) Carryforward tax loss shown in the above table is calculated by multiplying the statutory tax rate.

12. RETIREMENT BENEFITS

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2022 and 2021 and retirement benefit expenses in the consolidated statements of income for FY2021 and FY2020 ended March 31, 2022 and 2021, consisted of the following:

(1) Defined Benefit Plans

A. Movement in retirement benefit obligations, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Balance at April 1, 2021 and 2020	**¥ 48,195**	¥ 45,643	$ 395,040
Service cost	**2,966**	2,865	24,311
Interest cost	**316**	296	2,590
Actuarial loss (gain)	**29**	117	237
Benefits paid	**(1,283)**	(1,254)	(10,516)
Past service cost	**(3)**	8	(24)
Increase accompanying new additions to the scope of consolidation	**—**	534	—
Other	**29**	(16)	237
Balance at March 31, 2022 and 2021	**50,250**	48,195	411,885

B. Movement in plan assets, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Balance at April 1, 2021 and 2020	**¥ 42,803**	¥ 36,939	$ 350,844
Expected return on plan assets	**613**	537	5,024
Actuarial loss (gain)	**911**	4,101	7,467
Contributions paid by the employer	**1,854**	1,819	15,196
Benefits paid	**(937)**	(941)	(7,680)
Increase accompanying new additions to the scope of consolidation	**—**	346	—
Other	**1**	0	8
Balance at March 31, 2022 and 2021	**45,246**	42,803	370,868

C. Movement in liability for retirement benefits on defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Balance at April 1, 2021 and 2020	**¥ 3,028**	¥ 2,935	$ 24,819
Retirement benefit expenses	**663**	475	5,434
Benefits paid	**(240)**	(155)	(1,967)
Contributions paid by the employer	**(203)**	(211)	(1,663)
Increase accompanying new additions to the scope of consolidation	**1,318**	—	10,803
Increase due to transition to a defined contribution plan	**289**	—	2,368
Other	**41**	(15)	336
Balance at March 31, 2022 and 2021	**4,898**	3,028	40,147

D. Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Funded retirement benefit obligations	**¥ 52,277**	¥ 50,789	$ 428,500
Plan assets	**(47,271)**	(45,961)	(387,467)
	5,006	4,827	41,032
Unfunded retirement benefit obligations	**4,896**	3,591	40,131
Total net liability for retirement benefits at March 31, 2022 and 2021	**9,902**	8,419	81,163
Net defined benefit liability	**13,070**	11,578	107,131
Net defined benefit asset	**(3,168)**	(3,159)	(25,967)
Total net liability for retirement benefits at March 31, 2022 and 2021	**9,902**	8,419	81,163

E. Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Service cost	**¥ 2,966**	¥ 2,865	$ 24,311
Interest cost	**316**	296	2,590
Expected return on plan assets	**(613)**	(537)	(5,024)
Amortization of net unrecognized actuarial differences	**(449)**	106	(3,680)
Amortization of past service cost	**(117)**	(116)	(959)
Retirement benefit expenses applying for simplified method	**663**	475	5,434
Losses (Gains) on transition to a defined contribution plan (Note)	**289**	—	2,368
Total retirement benefit expenses for FY2021 and FY2020 ended March 31, 2022 and 2021	**3,056**	3,089	25,049

(Note) Loss on revision of retirement benefit plan is recorded as "Other" for other expenses.

F. Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Past service cost	**¥ (114)**	¥ (124)	$ (934)
Actuarial gains and losses	**417**	4,094	3,418
Total remeasurements of defined benefit plans for FY2021 and FY2020 ended March 31, 2022 and 2021	**303**	3,970	2,483

G. Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Past service cost that is yet to be recognized	**¥ 332**	¥ 446	$ 2,721
Actuarial gains and losses that are yet to be recognized	**5,428**	5,010	44,491
Total balance at March 31, 2022 and 2021	**5,760**	5,456	47,213

H. Plan assets

(a) Plan assets comprise

	3/2022	3/2021
Bonds	**33%**	34%
General account	**32**	32
Equity securities	**29**	28
Other	**6**	6
Total	**100**	100

(b) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

I. Actuarial assumptions

The principal actuarial assumptions

	3/2022	3/2021
Discount rate	**mainly 0.7%**	mainly 0.7%
Long-term expected rate of return	**mainly 1.5%**	mainly 1.5%

(Note) The expected rate of salary increase is not presented because the Companies do not generally use it in actuarial calculations for their retirement benefit plans.

(2) Defined Contribution Plan

Required contribution for defined contribution plans by consolidated subsidiaries in FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to ¥363 million (U.S. $2,975 thousand) and ¥290 million, respectively.

(3) Multi-Employer Pension Plans

Required contributions to corporate pension fund system of the multi-employer pension plans which were treated the same as defined contribution plans for FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to ¥46 million (U.S. $377 thousand) and ¥46 million, respectively.

A. The savings situation of the whole system

	Millions of yen		Thousands of U.S. dollars
	3/2022 (As of March 31, 2021)	3/2021 (As of March 31, 2020)	3/2022 (As of March 31, 2021)
Plan assets	**¥ 16,536**	¥ 15,830	$ 135,540
Net total actuarial obligations under pension funding programs and minimum actuarial reserve	**15,988**	15,481	131,049
Total balance	**548**	348	4,491

B. The ratio of the Companies' contributions to the multi-employer pension plans against total contributions

For FY2021 ended March 31, 2022 corresponding to the fiscal year ended March 31, 2021: 3.8%

For FY2020 ended March 31, 2021 corresponding to the fiscal year ended March 31, 2020: 3.7%

C. Supplemental information

The main factors of the total balance of A mentioned above are past service cost under pension funding programs, general reserve and surplus or deficiency. Past service cost under pension funding programs for FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to -¥4,927 million (-U.S. $40,385 thousand) and -¥5,435 million, respectively. General reserve for FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to ¥5,844 million (U.S. $47,901 thousand) and ¥4,152 million, respectively. Surplus or deficiency for FY2021 and FY2020 ended March 31, 2022 and 2021 amounted to -¥309 million (-U.S. $2,532 thousand) and ¥1,711 million, respectively.

In addition, the ratio in B mentioned above does not accord with the real burden on the Companies' ratio.

13. CONTINGENT LIABILITIES

As of March 31, 2022, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	**¥ 20**	$ 163
As endorser of notes endorsed	**170**	1,393
As guarantor of indebtedness	**149**	1,221

(Note) The guarantee obligations of ¥58 million (U.S. $475 thousand) was re-guaranteed by third party.

14. NET ASSETS

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

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

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

15. COMPREHENSIVE INCOME STATEMENTS

At March 31, 2022 and 2021, amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Valuation difference on available-for-sale securities			
Increase (decrease) during the fiscal year	**¥ (4,756)**	¥ 18,212	$ (38,983)
Reclassification adjustments for losses realized in profit	**(1,547)**	(694)	(12,680)
Subtotal, before tax amount	**(6,303)**	17,517	(51,663)
Tax (expense) or benefit	**1,931**	(5,264)	15,827
Subtotal, net of tax amount	**(4,372)**	12,252	(35,836)
Foreign currency translation adjustment			
Increase (decrease) during the fiscal year	**7,793**	(815)	63,877
Remeasurements of defined benefit plans			
Increase (decrease) during the fiscal year	**869**	3,981	7,122
Reclassification adjustments for losses realized in profit	**(566)**	(11)	(4,639)
Subtotal, before tax amount	**303**	3,970	2,483
Tax (expense) or benefit	**(93)**	(1,209)	(762)
Subtotal, net of tax amount	**209**	2,761	1,713
Share of other comprehensive income of entities accounted for using equity method			
Increase (decrease) during the fiscal year	**3,528**	(1,769)	28,918
Total other comprehensive income	**7,159**	12,428	58,680

16. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in "General and administrative expenses" and are charged to income as incurred.

The aggregate amounts of research and development expenses charged to income were ¥2,151 million (U.S. $17,631 thousand) and ¥1,900 million for FY2021 and FY2020 ended March 31, 2022 and 2021, respectively.

17. REVENUE RECOGNITION

(1) Information of disaggregation of revenue from contracts with customers

	Millions of yen						
	3/2022						
	Reportable segments						
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*	Total
Japan	¥ 445,418	¥ 93,824	¥ 39,326	¥ 9,273	¥ 587,842	¥ 33,973	¥ 621,816
Asia	3,420	152	2,746	65,319	71,639	217	71,856
Europe	—	—	14	45,246	45,261	—	45,261
Other	—	2	292	6,678	6,973	6	6,979
Information of disaggregation of revenue from contracts with customers	448,838	93,979	42,380	126,518	711,716	34,197	745,914
Other revenue	—	—	—	—	—	1,012	1,012
Sales to third parties	448,838	93,979	42,380	126,518	711,716	35,210	746,926

	Thousands of U.S. dollars						
	3/2022						
	Reportable segments						
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*	Total
Japan	$ 3,650,967	$ 769,049	$ 322,344	$ 76,008	$ 4,818,377	$ 278,467	$ 5,096,852
Asia	28,032	1,245	22,508	535,401	587,204	1,778	588,983
Europe	—	—	114	370,868	370,991	—	370,991
Other	—	16	2,393	54,737	57,155	49	57,204
Information of disaggregation of revenue from contracts with customers	3,679,000	770,319	347,377	1,037,032	5,833,737	280,303	6,114,049
Other revenue	—	—	—	—	—	8,295	8,295
Sales to third parties	3,679,000	770,319	347,377	1,037,032	5,833,737	288,606	6,122,344

* "Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

(2) Information that provides a basis for understanding of revenue from contracts with customers

The basis for understanding revenue is described in "2. Summary of Significant Accounting Policies, (18) Accounting policy for recognition of significant revenues and expenses".

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year

A. Balance of receivables and contract liabilities arising from contracts with customers

Balance of receivables and contract liabilities arising from contracts with customers are as follows

	Millions of yen	Thousands of U.S. dollars
	3/2022	3/2022
Notes receivable-trade	¥ 16,215	$ 132,909
Accounts receivable-trade	198,410	1,626,311
Receivables arising from contracts with customers	214,626	1,759,229
Contract liabilities	306	2,508

B. Transaction price allocated to remaining performance obligations

The description of the total transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized is omitted, since the initially expected contractual period with customers is due within one year.

18. SEGMENT INFORMATION

(1) Segment Information

A. Overview of reportable segments

(a)Method of determining reportable segments

The Company's reportable segments are the business units for which separate financial information is available and which are periodically reviewed by the Board of Directors for the purposes of monitoring to determine the allocation of business resources and evaluate business performance.

To fulfill the multiple needs of packaging as "General Packaging Industry (GPI)," the Companies expanded the business field into flexible packaging and heavy duty packaging also overseas, and had been making plans for a comprehensive strategy about products in each business fields, in addition to the integrated production from paperboard to corrugated boxes. The Company has designated four reportable segments, which are the "Paperboard and Packaging-Related Business," "Flexible Packaging-Related Business," "Heavy Duty Packaging-Related Business," and "Overseas Business" segments, based on the business field.

The "Paperboard and Packaging-Related Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes and kraft pulp domestically. The "Flexible Packaging-Related Business" segment includes manufacturing and sales of flexible packaging and cellophane domestically. The "Heavy Duty Packaging-Related Business" segment includes manufacturing and sales of heavy duty packaging products domestically. The "Overseas Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes, flexible packaging, heavy duty packaging and nonwoven products in overseas operations.

(b)Matters related to changes in reportable segments

As described in "Changes in accounting policies", the Company changed accounting treatment for revenue recognition by adopting Accounting Standards for Revenue Recognition as a basis for preparing the consolidated financial statements from the current fiscal year, and accordingly changed the methods relevant to measuring profits or losses of business segments in the same manner.

Due to such a change, in comparison with the previous method, sales of "Paperboard and Packaging-Related Business", "Flexible Packaging-Related Business", "Heavy Duty Packaging-Related Business" and "Other businesses" in the current fiscal year decreased by ¥10,701 million (U.S. $87,713 thousand), ¥341 million (U.S. $2,795 thousand), ¥2,711 million (U.S. $22,221 thousand) and ¥4 million (U.S. $32 thousand), respectively. The impact on segment profit is negligible.

B. Method of calculating sales, profit or loss, assets and other material items by reportable segment

The accounting policies for business segments reported are generally the same as on those described in Note 2. Figures for reportable segment income are based on operating income. Internal transactions are based on the current market prices.

C. Information on sales, profit or loss, assets and other material items by reportable segment

Information by segment for FY2021 and FY2020 ended March 31, 2022 and 2021 was as follows:

	Millions of yen							
	3/2022							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	¥ 448,838	¥ 93,979	¥ 42,380	¥ 126,518	¥ 711,716	¥ 35,210	¥ —	¥ 746,926
Intersegment sales and transfers	2,664	478	3,386	4,135	10,664	27,242	(37,906)	—
Total sales	451,502	94,458	45,766	130,653	722,380	62,452	(37,906)	746,926
Segment profit	22,657	2,064	1,621	4,880	31,223	1,943	112	33,279
Segment assets	672,007	92,315	48,790	200,441	1,013,554	39,754	(118,963)	934,345
Other items								
Depreciation and amortization	27,156	4,190	1,352	7,697	40,396	1,328	(64)	41,660
Amortization of goodwill	259	165	69	1,696	2,190	—	—	2,190
Investment in equity method affiliates	717	—	—	50,160	50,878	978	—	51,856
Increase in property, plant and equipment and intangible assets	35,781	5,733	1,341	5,233	48,088	1,527	(107)	49,509

	Millions of yen							
	3/2021							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	¥ 432,711	¥ 83,303	¥ 43,280	¥ 87,849	¥ 647,145	¥ 33,568	¥ —	¥ 680,714
Intersegment sales and transfers	1,907	173	3,108	4,241	9,431	26,309	(35,740)	—
Total sales	434,619	83,476	46,389	92,090	656,576	59,877	(35,740)	680,714
Segment profit	28,380	3,977	2,085	3,328	37,773	2,022	143	39,938
Segment assets	649,680	77,804	46,534	177,150	951,169	37,451	(118,628)	869,992
Other items								
Depreciation and amortization	25,585	3,308	1,432	6,558	36,884	1,243	(50)	38,077
Amortization of goodwill	273	82	69	1,535	1,960	—	—	1,960
Investment in equity method affiliates	691	—	—	45,539	46,230	916	—	47,146
Increase in property, plant and equipment and intangible assets	33,527	4,579	1,351	5,368	44,825	2,403	(86)	47,143

	Thousands of U.S. dollars							
	3/2022							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	$ 3,679,000	$ 770,319	$ 347,377	$ 1,037,032	$ 5,833,737	$ 288,606	$ —	$ 6,122,344
Intersegment sales and transfers	21,836	3,918	27,754	33,893	87,409	223,295	(310,704)	—
Total sales	3,700,836	774,245	375,131	1,070,926	5,921,147	511,901	(310,704)	6,122,344
Segment profit	185,713	16,918	13,286	40,000	255,926	15,926	918	272,778
Segment assets	5,508,254	756,680	399,918	1,642,959	8,307,819	325,852	(975,106)	7,658,565
Other items								
Depreciation and amortization	222,590	34,344	11,081	63,090	331,114	10,885	(524)	341,475
Amortization of goodwill	2,122	1,352	565	13,901	17,950	—	—	17,950
Investment in equity method affiliates	5,877	—	—	411,147	417,032	8,016	—	425,049
Increase in property, plant and equipment and intangible assets	293,286	46,991	10,991	42,893	394,163	12,516	(877)	405,811

*1 "Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

*2 "Adjustments" were as follows:
(a) The adjustments of segment profits of ¥112 million (U.S. $918 thousand) and ¥143 million for FY2021 and FY2020 ended March 31, 2022 and 2021, respectively, were from the elimination of intersegment transactions.
(b) The adjustments of segment assets of -¥118,963 million (-U.S. $975,106 thousand) and -¥118,628 million for FY2021 and FY2020 ended March 31, 2022 and 2021, respectively, were from the elimination of intersegment transactions.
(c) The adjustments of depreciation and amortization of -¥64 million (-U.S. $524 thousand) and -¥50 million for FY2021 and FY2020 ended March 31, 2022 and 2021, respectively, were from the elimination of intersegment transactions.
(d) The adjustments of increases in property, plant and equipment, and intangible assets of -¥107 million (-U.S. $877 thousand) and -¥86 million for FY2021 and FY2020 ended March 31, 2022 and 2021, respectively, were from the elimination of intersegment transactions.

*3 The segment profit was reconciled with operating income in the consolidated statements of income.

(2) Related Information

A. Products and Services

Sales to third parties	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Paperboard	¥ 60,005	¥ 56,679	$ 491,844
Corrugated board	39,376	43,156	322,754
Corrugated boxes	344,337	323,652	2,822,434
Flexible packaging and cellophane	107,284	93,447	879,377
Other	195,921	163,777	1,605,909
Total	746,926	680,714	6,122,344

B. Geographical Segments

(a) Sales	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Japan	¥ 622,828	¥ 591,942	$ 5,105,147
Asia	71,856	54,535	588,983
Europe	45,261	28,895	370,991
Other	6,979	5,340	57,204
Total	746,926	680,714	6,122,344

(b) Property, plant and equipment	Millions of yen		Thousands of U.S. dollars
	3/2022	3/2021	3/2022
Japan	¥ 337,706	¥ 321,569	$ 2,768,081
Asia	17,965	17,443	147,254
Europe	23,336	23,265	191,278
Other	5,025	4,816	41,188
Total	384,032	367,094	3,147,803

C. Major Customers

There were no specific customers whose sales exceeded 10% of the total sales in the consolidated statements of income for FY2021 and FY2020 ended March 31, 2022 and 2021. Therefore, information regarding such major customers was not required to be disclosed.

(3) Information on Impairment Loss of Non-Current Assets by Reportable Segments

	Millions of yen							
	3/2022							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ —	¥ —	¥ 1	¥ 80	¥ 81	¥ —	¥ —	¥ 81

	Millions of yen							
	3/2021							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ —	¥ 6	¥ 5	¥ 1	¥ 13	¥ —	¥ —	¥ 13

	Thousands of U.S. dollars							
	3/2022							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	$ —	$ —	$ 8	$ 655	$ 663	$ —	$ —	$ 663

"Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

(4) Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

	Millions of yen							
	3/2022							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	**¥ 259**	**¥ 165**	**¥ 69**	**¥ 1,696**	**¥ 2,190**	**¥ —**	**¥ —**	**¥ 2,190**
Balance at end of period	**629**	**580**	**174**	**17,478**	**18,862**	**—**	**—**	**18,862**
Negative goodwill								
Amortized for the period	**18**	**1**	**—**	**0**	**20**	**—**	**—**	**20**
Balance at end of period	**48**	**6**	**—**	**—**	**55**	**—**	**—**	**55**

	Millions of yen							
	3/2021							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 273	¥ 82	¥ 69	¥ 1,535	¥ 1,960	¥ —	¥ —	¥ 1,960
Balance at end of period	888	745	244	17,354	19,232	—	—	19,232
Negative goodwill								
Amortized for the period	18	1	—	0	20	—	—	20
Balance at end of period	67	8	—	0	75	—	—	75

	Thousands of U.S. dollars							
	2022/3							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	$ 2,122	$ 1,352	$ 565	$ 13,901	$ 17,950	$ —	$ —	$ 17,950
Balance at end of period	5,155	4,754	1,426	143,262	154,606	—	—	154,606
Negative goodwill								
Amortized for the period	147	8	—	0	163	—	—	163
Balance at end of period	393	49	—	—	450	—	—	450

"Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

19. RELATED PARTY INFORMATION

There were no significant transactions of the Company with related party for FY2021 ended March 31, 2022

Significant transactions of the Company with related party for FY2020 ended March 31, 2021 were as follows:

Attribute	Name	The contents of a business operation or an occupation	Ownership ratio (Parent company ownership ratio) of voting rights (%)	Relationship	Nature of transaction	Trading amount	Account	Balance at the end of the fiscal year
Officer	Yoshio Sato	Company director Chairman of the Board and Representative Executive Officer of SUMITOMO LIFE INSURANCE COMPANY	(Parent company ownership ratio) 2.7	Borrowings of fund	Borrowings of funds	¥1,680 million	Short-term borrowings and the current portion of long-term debt	¥910 million
					Repayment of borrowings	¥1,570 million	Long-term debt due after one year	¥7,390 million

(Note) The contents of the above transaction were that the Company borrowed from SUMITOMO LIFE INSURANCE COMPANY of which Yoshio Sato was a representative. The interest rate has been reasonably determined considering the market rate of interest.

20. ADDITIONNAL INFORMATION

(Accounting estimates related to COVID-19)

We assume that there will be only a minor effect by the spread of COVID-19 when it comes to the demand for corrugated boards and other products since there is a steady demand in the industries of foods and e-commerce. We conducted the accounting estimates like impairment accounting based on this assumption.

(Stock compensation plan)

Based on the resolution of the General Meeting of Shareholders held on June 26, 2020, the Company introduced a Stock Compensation Plan using a trust for Directors, excluding Outside Directors, to increase Directors' motivation to make contributions to improving the Company's mid- to long-term performance and increasing its corporate value by making a clearer link between the compensation provided to Directors and the Company's share value and sharing with stockholders the benefits and risks associated with the fluctuation in share prices.

The Company also introduced the same compensation plan as above for the executive officers of the Company.

(1) Overview of Transactions

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (hereinafter the trust established by the Plan shall be referred to as the "Trust") using money contributed by the Company as a source, and the Company's shares equivalent to the number of points awarded by the Company to each Director, etc., will be delivered to each Director, etc., through the Trust.In principle, the Company's shares will be delivered to Directors, etc., upon their retirement.

The accounting method regarding the Plan complies with the "Practical Solution on Transactions for Delivering the Company's Own Stock to Employees, etc., Through Trusts" (ASBJ Practical Issues Task Force No.30, March 26, 2015).

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are posted as treasury stock as part of net assets based on the book value, excluding amounts for incidental expenses. The corresponding treasury stock book value and number of shares at the end of the fiscal year were ¥773 million (U.S. $6,336 thousand) and 945 thousand shares, whereas ¥809 million and 990 thousand shares at the end of the previous fiscal year.

21. SUBSEQUENT EVENTS

(1) Appropriation of Non-Consolidated Retained Earnings

At the Board of Directors meeting held on May 13, 2022, the Company resolved the following year-end appropriation of non-consolidated retained earnings:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥12.00 = U.S. $0.10 per share)	¥ 2,982	$ 24,442

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2022. Such appropriations are recognized in the period in which they are approved.

(Note) The total amount of dividends determined by the resolution of the Board of Directors held on May 13, 2022 includes dividends of ¥11 million (U.S. $90 thousand) which is paid for the Company's shares held by the Trust related to the Stock Compensation Plan.

(2) Business combination through acquisition

The Company has resolved to acquire 100% of the equity of THIMM Packaging Systems GmbH & Co.KG, a manufacturer of heavy duty packaging materials headquartered in Nordhausen, central Germany. An equity transfer agreement was signed with its investor, THIMM Group, an independent packaging manufacturer in Germany, and this equity transfer was completed on June 30, 2022.

A. Summary of the combination

(a) Name and main business of the company acquired

Name: THIMM Packaging Systems GmbH & Co.KG

Business: Manufacturing and sales of heavy duty packaging materials (corrugated boards, wood packaging and pallets, pulp-based and plastic-based packaging materials, etc.)

Scale of business The amounts of total assets and total sales for the year ended December 31, 2021 were ¥7.1 billion and ¥26.6 billion respectively, which have not been audited by the Company's independent auditor.

(b) Reason for the combination

The addition of THIMM Packaging Systems GmbH & Co.KG to the group will help the Rengo Group expand its product portfolio and enhance supply system in order to respond quickly to various needs for packaging in the heavy duty packaging industry in Germany and surrounding areas.

(c) Date of the combination

June 30, 2022

(d) Legal form of the combination

Acquisition of equity shares for cash consideration

(e) Post-combination name of the acquired company

TRICOR Packaging Systems GmbH

(f) Percentage of voting rights acquired

100%

(g) Basis for determining acquiring company

Rengo Europe GmbH and TRICOR Packaging & Logistics AG, consolidated subsidiaries of the Company, acquired the equity in consideration of cash.

B. Acquisition price and type of consideration paid

The acquisition cost and consideration are not to be disclosed based on confidentiality obligations between the parties.

C. Principal acquisition related expenses

Not finalized at this time.

D. Amount, cause and amortization of goodwill arising from the acquisition

Not finalized at this time.

E. Details of the assets acquired and the liabilities assumed at the date of the business combination

Not finalized at this time.

Independent Auditor's Report

To the Board of Directors of Rengo Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Rengo Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill of TRICOR Packaging & Logistics AG	
The key audit matter	**How the matter was addressed in our audit**
The Company reported goodwill related to the overseas business of ¥17,478 million in the consolidated balance sheet. As described in Note 3, "Significant accounting estimates, (1) Impairment of goodwill" to the consolidated financial statements, included therein was goodwill of ¥10,114 million that arose when Tri-Wall Ltd. ("Tri-Wall"), a consolidated subsidiary, obtained control of TRICOR Packaging & Logistics AG ("TRICOR"), a heavy duty packaging manufacturer based in Germany, in the period ended March 31, 2020. Tri-Wall adopts International Financial Reporting Standards (IFRSs) and performs an annual impairment test on a group of CGUs to which goodwill is allocated, in addition to when there is an impairment indicator. When the recoverable amount of a group of CGUs is less than the carrying amount, Tri-Wall reduces the carrying amount to the recoverable amount and recognizes the resulting decrease in the carrying amount as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less costs of disposal. In the current fiscal year, Tri-Wall used the value in use as the recoverable amount in the impairment testing of goodwill of TRICOR. The future cash flows used for measuring this value in use were estimated based on the business plan of TRICOR developed by management and the terminal growth rate applied in following periods. Planning the expected increase in the sales volume in Germany and the improvement of the profit margin involved uncertainty, and the Company's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill of TRICOR was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to evaluate whether the Company's judgment with respect to the recognition of an impairment loss on goodwill of TRICOR was appropriate, included the following. In performing the procedures, we evaluated the result of the audit procedures reported by the component auditor of Tri-Wall, to which we requested to perform an audit, and performed additional procedures. (1) Internal control testing Test of the design of certain of the Company's internal controls relevant to measuring the value in use used for the impairment testing on the group of CGUs to which goodwill is allocated. (2) Assessment of the reasonableness of the estimated value in use Assessment of the appropriateness of key assumptions adopted by management in preparing the business plan of TRICOR, which was used as the basis for estimating future cash flows by inquiring of management about the basis on which those assumptions were developed and performing the following procedures: • Assessment of the accuracy of the estimation developed in the previous years by comparing past business plans with actual results; • Assessment of the expected increase in the sales volume in Germany through comparison with the future forecasts of the related market published by external organizations; • Assessment of the improvement of the profit margin by comparing it with recent actual results as well as comparing management's estimate of future cash flows with those independently estimated by incorporating the effect of specific uncertainty into the business plan; and • Performance of the following procedures to assess the discount rate by using a valuation specialist within the network firms of the component auditor of Tri-Wall: ・Assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; and ・Assessment of the appropriateness of the input data by comparing the discount rate with the rate independently estimated by the valuation specialist using market data and assumptions.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-current assets of RG Containers Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 3, "Significant accounting estimates, (2) Impairment of non-current assets" to the consolidated financial statements, in the consolidated balance sheet of the Company, non-current assets of RG Containers Co., Ltd. ("RG Containers") that belongs to the paperboard and packaging-related business amounted to ¥10,488 million. While these assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. RG Containers has recognized recurring operating losses for some consecutive years primarily due to decreasing sales volume, indicating impairment. Accordingly, the Company performed an impairment test during the fiscal year. The future cash flows used for the impairment test were estimated based on the business plan prepared by management. Key assumptions underlying the business plan, such as the prospects for future demand for paperboard in the Kanto region, development status of RG Containers' production system as well as a projected increase in production volume due to production transfer from the Company involved uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment should be recognized on non-current assets of RG Containers was one of the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss on non-current assets of RG Containers was appropriate, included the following: (1) Internal control testing We tested the design and operating effectiveness of the Company's certain internal controls relevant to determining impairment losses to be recognized on non-current assets. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of unreasonable assumptions on future demand for paperboard in the Kanto region, development status of RG Containers' production system as well as the effect of a projected increase in production volume due to production transfer from the Company that served as the basis for the business plan of RG Containers. (2) Assessment of the reasonableness of estimated future cash flows In order to assess the appropriateness of key assumptions adopted by management in preparing the business plan of RG Containers, which was used as the basis for estimating future cash flows, we inquired of management about the basis on which those assumptions were developed. In addition, we: • assessed the accuracy of the estimation developed in the previous years by comparing past business plans with actual results; • compared the prospects for future demand for paperboard in the Kanto region with the related data including market data published by external organizations; • inquired of the personnel responsible for production of RG Containers and identified the improvement in each indicator such as loss rates, the number of claims, and operations of other production facilities to assess the assumption on development status of RG Containers' production system; and • inspected the plan of production volume to be transferred to RG Containers from the Company, compared it with recent actual results, and identified sales order volume of the Company and operations of the Company's factories in the Kanto region to assess the assumption on the estimated production volume to be relocated to RG Containers.

Other Information

The other information comprises the information included in the Integrated Report but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report. Management is responsible for the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Yoshihide Takehisa	Designated Engagement Partner	Certified Public Accountant
Tatsuya Kido	Designated Engagement Partner	Certified Public Accountant
Takehiro Nakamura	Designated Engagement Partner	Certified Public Accountant

Osaka Office, Japan
July 15, 2022

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