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May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

Company name:	Hosiden Corporation
Listing:	Tokyo Stock Exchange
Securities code:	6804
URL:	https://www.hosiden.com/index.html
Representative:	Kenji Furuhashi, President and CEO
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Scheduled date of ordinary general meeting of shareholders:	June 29, 2022
Scheduled date to commence dividend payments:	June 30, 2022
Scheduled date to file annual securities report:	June 29, 2022
Preparation of supplementary material on financial results:	Yes
Holding of financial results briefing:	Yes (for institutional investors and securities analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	207,608	(11.3)	11,725	(5.3)	15,786	17.8	11,901	15.1
March 31, 2021	233,934	10.4	12,377	10.3	13,401	18.0	10,338	9.6

(Note) Comprehensive income For the fiscal year ended March 31, 2022 13,469 million yen [12.9%]
For the fiscal year ended March 31, 2021 11,932 million yen [45.9%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	211.57	196.32	10.4	9.5	5.6
March 31, 2021	178.70	166.28	9.8	8.6	5.3

(Reference) Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2022 – million yen
For the fiscal year ended March 31, 2021 – million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	171,525	119,533	69.7	2,175.11
March 31, 2021	161,894	109,250	67.5	1,935.14

(Reference) Equity
As of March 31, 2022 119,533 million yen
As of March 31, 2021 109,250 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	(1,230)	(3,059)	(3,748)	62,479
March 31, 2021	12,590	(2,360)	(3,860)	69,522

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	10.00	–	15.00	25.00	1,431	13.8	1.4
Fiscal year ended March 31, 2022	–	10.00	–	55.00	65.00	3,587	30.1	3.1
Fiscal year ending March 31, 2023 (Forecast)	–	23.00	–	23.00	46.00		29.7	

(Note) Revision of cash dividend forecast most recently announced: Yes

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2022	89,000	(8.0)	4,200	(36.3)	4,700	(36.6)	3,600	(39.9)	65.51
Full year	210,000	1.2	10,000	(14.7)	11,000	(30.3)	8,500	(28.6)	154.67

Financial results forecasts are based on the assumption of a foreign exchange rate of 125 yen per U.S. dollar.

Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies (Company name)
Excluded: – companies (Company name)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(Note) For details, please refer to "4. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements (Changes in accounting policies)."

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	64,710,084 shares
As of March 31, 2021	67,710,084 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2022	9,755,041 shares
As of March 31, 2021	11,253,893 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	56,255,530 shares
Fiscal year ended March 31, 2021	57,856,544 shares

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	161,003	(18.3)	6,775	0.9	11,424	36.3	14,064	52.8
March 31, 2021	197,085	18.0	6,717	33.0	8,381	47.0	9,206	101.6

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	250.01	232.03
March 31, 2021	159.13	148.05

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	133,435	88,939	66.7	1,618.40
March 31, 2021	131,109	78,137	59.6	1,384.03

(Reference) Equity
As of March 31, 2022 88,939 million yen
As of March 31, 2021 78,137 million yen

Notes: 1. Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

2. Explanation on proper use of earnings forecasts, and other special matters

The forward-looking statements about the future financial results of this document are future forecasts based on the judgment of Hosiden Corporation (the "Company") taking into account the information currently available, and the Company does not intend to make a warranty of their achievement. These forward-looking statements contain various potential risks and uncertainties, and actual results may be materially different from the forward-looking statements due to various material factors. Therefore, the Company asks not to depend highly on these forward-looking statements. For preconditions for earnings forecasts and other related matters, please refer to 1. Overview of operating results, etc., (4) Future outlook on page 4 of the attached document.

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1. Overview of operating results, etc.

(1) Overview of operating results during the fiscal year ended March 31, 2022

During the fiscal year ended March 31, 2022 (from April 2021 to March 2022), the world economy continued to recover, but with less momentum, as the wave of increases and decreases in the novel coronavirus disease ("COVID-19") continued. Furthermore, since the beginning of the fourth quarter of the period, countries have imposed economic sanctions in response to Russia's invasion of Ukraine, resulting in soaring prices of resources and food, which particularly affected the European economy to a great extent. In the U.S., the economy has been recovering steadily, supported by strong employment conditions and consumer spending, but this may slow down due to official rate hikes. For the Japanese economy, differences in monetary policies between Japan and the U.S. have caused a sharp depreciation of the yen, resulting in an acceleration of import prices driven by high resource prices, which put intense downward pressure on personal consumption and made the future outlook uncertain.

In the electronic component industry to which the Company group (the "Group") belongs, in the automotive-related business, semiconductor shortages that have continued since the previous fiscal year have not yet subsided, and automobile manufacturers have been forced to make adjustments in production accordingly. While the 5G-related device business has been driving the segment, the mobile communication-related business also faces semiconductor shortages, and the recovery of situation is uncertain. With shortages of semiconductors and other electronic components, soaring raw material prices, and the prospect of a resolution of logistics disruptions and contraction of the spread of COVID-19 not in sight, the overall business outlook remains uncertain.

Under such circumstances, the Group decreased net sales as a whole. Specifically, mobile communications-related and automotive-related businesses increased, but the amusement-related business decreased, affected by the temporary shutdown of the Group's mainstay overseas plants due to the lockdown policy of overseas governments caused by COVID-19.

During the fiscal year under review, as a result, consolidated net sales was 207,608 million yen (down 11.3% year on year). With regard to profits, the Group posted operating profit of ¥11,725 million (down 5.3% year on year), ordinary profit of 15,786 million yen (up 17.8% year on year) with foreign exchange gains of 3,558 million yen in line with foreign exchange fluctuations, and profit attributable to owners of parent of 11,901 million yen (up 15.1% year on year).

Net sales by segment for the fiscal year under review are as follows:

The electro-mechanical components segment was 177,211 million yen (down 12.9% year on year) due to an increase in the mobile communications-related business and a decrease in the amusement-related business.

The acoustic components segment was 13,817 million yen (up 11.6% year on year) due to a decrease in the mobile communications-related business and an increase in the automotive-related business.

The display components segment was 8,431 million yen (down 1.4% year on year) due to an increase in the automotive-related business and a decrease in home appliances-related business.

The applied equipment and other segment was 8,147 million yen (down 14.5% year on year) due to a decrease in the health device-related business.

(2) Overview of financial position for the fiscal year ended March 31, 2022

At the end of the fiscal year under review, total assets increased 9,630 million yen from the end of the previous fiscal year to 171,525 million yen mainly due to increases in inventories, property, plant and equipment despite decreases in cash and deposits and securities. Total liabilities decreased 652 million yen from the end of the previous fiscal year to 51,991 million yen mainly due to decreases in trade payables despite increases in other current liabilities.

Net assets increased 10,282 million yen from the end of the previous fiscal year to 119,533 million yen mainly due to an increase in retained earnings, resulting in an equity-to-asset ratio of 69.7%.

(3) Overview of cash flows for the fiscal year ended March 31, 2022

At the end of the fiscal year under review, cash and cash equivalents (the “net cash”) decreased 7,042 million yen from the end of the previous fiscal year to 62,479 million yen (an increase of 6,873 million yen in the previous fiscal year).

The status of respective cash flows during the fiscal year under review and their factors are as follows:

Cash flows from operating activities

Net cash provided by operating activities decreased 1,230 million yen (an increase of 12,590 million yen in the previous fiscal year). This was mainly due to profit before income taxes of 16,306 million yen (profit before income taxes of 13,330 million yen in the previous fiscal year), depreciation of 3,185 million yen (3,136 million yen in the previous fiscal year), a decrease in trade receivables of 2,183 million yen (a decrease of 932 million yen in the previous year), an increase in inventories of 13,115 million yen (an increase of 3,809 million yen in the previous fiscal year), a decrease in trade payable of 7,274 million yen (an increase of 2,022 million yen in the previous fiscal year), an increase in other liabilities of 1,687 million yen (an increase of 250 million yen in the previous fiscal year), and income taxes paid of 3,942 million yen (3,063 million yen in the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities decreased 3,059 million yen (a decrease of 2,360 million yen in the previous fiscal year). This was mainly due to purchase of property, plant and equipment of 3,823 million yen (2,663 million yen in the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities decreased 3,748 million yen (a decrease of 3,860 million yen in the previous fiscal year). This was mainly due to purchase of treasury shares of 1,775 million yen (1,987 million yen in the previous fiscal year) and dividends paid of 1,411 million yen (1,461 million yen in the previous fiscal year).

Cash flow indicators

	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Equity-to-asset ratio (%)	63.0	70.5	67.1	67.5	69.7
Equity-to-asset ratio based on market capitalization (%)	58.5	40.6	29.4	40.3	37.1
Cash flows/interest-bearing debt ratio (years)	4.0	0.5	5.6	0.9	—
Interest coverage ratio (times)	28.2	219.8	20.4	166.1	—

(Formula) Equity-to-asset ratio = Equity / Total assets
Equity-to-asset ratio based on market capitalization = Market capitalization / Total assets
Cash flows/interest-bearing debt ratio = Interest-bearing debt / Cash flows from operating activities
Interest coverage ratio = Cash flows from operating activities / Interest payment
Notes:
1. Each indicator is calculated based on consolidated financial values.
2. Market capitalization is calculated by multiplying closing stock price at the end of the period by total number of issued shares at the end of the period (deducting treasury shares).
3. Interest-bearing debt represents all of the debt that bears interest of the entire debt recorded in the consolidated balance sheet.
4. Interest payment represents the interest paid in the consolidated statement of cash flows.

(4) Future outlook

The future world economy remains uncertain as the spread of COVID-19, shortages of semiconductors, soaring prices of resources, and logistics disruption have not yet subsided. Furthermore, the Russia-Ukraine issue seems to take a long time to be resolved, as a result of which, above mentioned situations become more critical. Although the Group has no production facilities and no direct sales partners in Russia or Ukraine, due to customers' plant shutdowns caused by supply chain disruptions, the Company is experiencing a decline in demand for its products.

With regard to its financial results, the Company forecasts a recovery in the amusement-related business, but in the automotive-related and mobile communication-related businesses, forecasts are uncertain due to the above impacts in the markets. The Company expects medical/health-related and IoE-related (Internet of Everything: everything is connected to the Internet) businesses to grow. However, soaring prices of materials such as semiconductors, other electronic components, and raw materials and disruptions in logistics are expected to give downward pressure on profits. Under such circumstances, the Company forecasts the following consolidated financial results for the fiscal year ending March 31, 2023.

Outlook for consolidated financial results

Net sales	210,000 million yen (up 1.2% year on year)
Operating profit	10,000 million yen (down 14.7% year on year)
Ordinary profit	11,000 million yen (down 30.3% year on year)
Profit attributable to owners of parent	8,500 million yen (down 28.6% year on year)

The above outlook for consolidated financial results is based on the assumption of a foreign exchange rate of 125 yen per U.S. dollar.

Notes on forecasts of financial results, etc.

The forward-looking statements about the future financial results of this document are future forecasts based on the judgment of the Company taking into account the information currently available, and the Company does not intend to make a warranty of their achievement. These forward-looking statements contain various potential risks and uncertainties, and actual results may be materially different from the forward-looking statements due to various factors. Therefore, the Company asks for not to depend highly on these forward-looking statements.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

The Company considers the return of profits to shareholders as one of its key policies. Meanwhile, in order to enhance corporate value, the Company needs to implement research and development, investments in production facilities and other activities that keep pace with rapid technological innovations. Therefore, the Company will strive to bolster its financial position through increasing business income and ensuring internal reserves, etc., from the long-term perspective, and aim to maintain a payout ratio of approximately 30% based on consolidated financial results on the premise of a stable business environment.

Based on the basic policy on profit distribution, the Company plans to pay a fiscal year-end dividend of 55 yen per share for the fiscal year under review. As a result, the annual dividends for the fiscal year under review will be 65 yen per share, including the interim dividend (10 yen per share).

For the next year, based on the basic policy on profit distribution, the Company also plans to pay a dividend of 46 yen per share (an interim dividend of 23 yen and a year-end dividend of 23 yen).

(6) Business and other risks

The Group operates global businesses with production, sales and development bases around the world. The electronic component industry, to which the Group belongs, is significantly affected by the world's economic trends, witnesses drastic technological innovations and market price fluctuations, and has fierce competition relating to product development and customer acquisition among competitors.

Therefore, business risks surrounding the Group include economic situations of Japan and the rest of the world, development and offering of the Company's new products and demand trend in the market, concentration on major customer groups, increased sales ratio of amusement-related field and order trend thereof, decreasing sales prices, price competitions with other companies, rapid change of the electronic device-related technology, price fluctuations of semiconductors and other electronic components and short supply thereof, logistics disruption, inventory risks, litigation risks, transfer pricing taxation system and other tax issues, intellectual property rights, litigation risks such as product quality issues (PL, recalls and others), regulations on environmentally controlled substances, fund shortage caused by financial contraction, falling price of investment securities held, falling valuations of non-current assets caused by decreasing profitability, foreign exchange rate fluctuations, regulations and revisions of laws and regulations, etc., destruction or falsification of critical data or information leak due to cyberattacks, overseas business-related risks, labor shortage and soaring labor costs relating to the production, war, riot, terrorism, climate change, outbreak of a pandemic such as COVID-19, damages caused by large-scale disasters such as fire, earthquake, tidal wave, wind and flood damages and nuclear accident, events adversely affecting the markets where the Company operates business and its supply chains, increasing costs relating to carbon neutrality, contributions to SDGs and ESG management, and aging population. In addition, the factors affecting financial results, etc. are not limited to these above factors.

2. Management policy

The Company and each group company share the following management policy of the Company and aim to enhance corporate value through increasing the Group's management efficiency as a whole.

(1) Basic policy on corporate management

The Company has contributed to the development of the electronics market by timely supplying high-quality and sought-after products, which are backed by advanced technology and a complete quality management system, to the market at all times as an electronic component manufacturer.

Moving forward, while the electronics market becomes sophisticated and diversified in line with the rapid development of AI technology utilizing clouds, advanced driver-assistance system (ADAS) technology and other technologies, the Company will make progress as a company that supports customers' corporate strategies with its unique advanced technology.

The Company will support the businesses of users and contribute to the development of the global electronics markets by analyzing latest information globally and proposing its unique next-generation technology.

In terms of its environmental activities, the Company has acquired ISO 14001 certification in all its production bases and promotes earth-friendly activities. The Company will promote the reduction and total abolition of environmentally controlled substances for its products, reduce their energy consumption and sizes, and take measures to reduce the environmental burden including carbon neutrality.

(2) Medium- to long-term corporate management strategy

The electronics industry, to which the Company belongs, is rapidly changing due to a dizzying pace of technological innovations such as digitalization and networking, and new promising products and technologies are created one after another there. The smartphone, tablet device and Internet-related devices are expected to witness the progress of high-speed communications and advanced features including 5G, and grow further while combined with traditional consumer electronics/AV and gaming markets, and have come into wider use rapidly. CASE* and ADAS, or trends in the automotive industry, support the growth of onboard electronic devices, and thus the circle of electronic component devices is expanding. In addition, medical/health/cosmetics device-related and IoE-related (Internet of Everything: everything is connected to the Internet) businesses are fairly promising, and the electronic component industry is expected to grow as a whole.

Amid such trends, the Company will make efforts to ensure and expand net sales and profits on a consolidated basis and enhance corporate value by offering extensive product lineups, technological capabilities that cater to diverse customer needs, fine-tuned services centered on customer satisfaction, etc. as an electronic component manufacturer.

In addition, the Company and each group company will bolster their technology system and research and development system. Then, we will take proactive measures to pursue added value through our new product development that copes with the technological trends, including higher performance, more features and faster transmissions, wireless features, higher frequencies, digitalization, increased mobility, larger power-saving, etc. regarding electronic devices, and to speed up and increase the efficiency of their development, developing one technology for multiple markets and customers, and multiple products for a single customer, thereby cultivating new markets and customers.

The Company will seek to redesign devices and, at the same time, strongly develop its unique technological products that cater to market needs. Specifically, the Company will focus particularly on honing core technologies and thus accumulate, enhance and share the following technologies and measures: electro-mechanical design technology, high-frequency design technology, acoustic design technology, optical design technology, circuit design technology, metal mold design technology, simulation technology, analytical technology, software development, EMC measure design technology, sensor development, and application technology, etc.

In terms of production, the Company will proceed with automation and labor-saving, including the utilization of industrial robots, with a sense of speed and will work to reduce costs and stabilize quality.

ESG management and contributions to the SDGs are global trends that companies and society are striving to achieve, and we will also continue to work toward these goals.

* CASE: A coined word connecting the four first initials of the English words that represent a next-generation technology and new wave for cars: Connected (getting connected), Autonomous (autonomous driving), Sharing (sharing with others) and Electricity (electrification)

(3) Issues to be addressed by the Company

The business environment surrounding the electronic component industry, to which the Group belongs, shows a steady growth of the automotive-related demand backed by further advancing electrification, due to environmental measures and wide use of ADAS, etc. Wearable devices and AI devices are expected to drive electronic component demand significantly. Moreover, infrastructure demand that aims to achieve higher speed and larger capacity in line with the development of the cloud environment, as well as the environment, power-saving and new energy-related markets, are also expected to create new component demand.

Under such circumstances, as its measures to develop new technology and products and promote developing high value-added products, the Group takes initiatives in developing automotive-related devices, mobile devices (including smartphones, tablet devices and wearable devices), amusement devices, etc. toward the promising markets, growing user bases, promising products, new markets, new users and new products. In order to build its next mainstay market, the Group also firmly captures customer needs and technological trends of electronic components in the markets for medical/health/cosmetics devices, and also the promising and growing markets related to with/after COVID-19, environment/energy-saving, IoE, and Metaverse. Then, the Group will develop new technology and products promptly and timely, cultivate new users and increase orders received and net sales.

The Group will consider bolstering and newly establishing production bases in the ASEAN countries in terms of production. The Company will also further increase efficiency and speed of overall management, promote mechanization, automation, and labor-saving to further enhance quality and cost competitiveness, enhance financial results, bolster its profitability structure and also enhance and bolster compliance system, corporate social responsibility (CSR) system, internal control system, information security management system, risk management system, etc. toward the enhancement of corporate value.

In terms of quality, the Group has acquired ISO 9001 certification in all its production bases. Especially in its production bases for the automotive-related business, the Group acquired IATF 16949 certification and will make efforts to enhance and stabilize its quality.

Moreover, while taking concrete initiatives toward achievement of carbon neutrality, the Group will, as a whole, promote the following: earth-friendly product design and production activities; environmentally controlled substance measures through green procurement, the RoHS Directive, the REACH regulations, etc.; and the initiatives to reduce the environmental burden including resource conservation/power-saving activities, reduction in wastes and recycling. Accordingly, the Group will pay attention to the environment across all of its business activities and continue to improve its environmental management system proactively.

3. Basic approach to the selection of accounting standards

The Group has its policy to apply Japanese accounting standards for the time being taking into account the comparability of consolidated financial statements among companies.

With respect to the application of IFRS, the Group has its policy to take appropriate actions taking into account the circumstances both in Japan and overseas.

4. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	52,371	49,794
Notes and accounts receivable - trade	25,738	–
Notes receivable - trade	–	1,253
Accounts receivable - trade	–	24,611
Securities	18,400	13,699
Merchandise and finished goods	5,494	9,923
Work in process	1,846	3,117
Raw materials and supplies	29,373	38,526
Trade accounts receivable	2,072	2,208
Other	2,875	2,482
Allowance for doubtful accounts	(35)	(45)
Total current assets	138,138	145,572
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,749	19,577
Accumulated depreciation and impairment	(13,273)	(13,736)
Buildings and structures, net	5,476	5,840
Machinery, equipment and vehicles	23,448	25,754
Accumulated depreciation and impairment	(17,888)	(19,532)
Machinery, equipment and vehicles, net	5,560	6,221
Land	3,299	3,290
Construction in progress	71	777
Other	32,290	31,975
Accumulated depreciation and impairment	(30,198)	(29,546)
Other, net	2,091	2,429
Total property, plant and equipment	16,499	18,559
Intangible assets	416	451
Investments and other assets		
Investment securities	4,945	4,809
Retirement benefit asset	116	267
Deferred tax assets	942	1,025
Other	1,126	1,130
Allowance for doubtful accounts	(290)	(290)
Total investments and other assets	6,840	6,942
Total non-current assets	23,756	25,952
Total assets	161,894	171,525

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,137	23,614
Short-term borrowings	1,941	2,040
Income taxes payable	2,214	3,179
Provision for bonuses for directors (and other officers)	152	155
Other	5,163	7,315
Total current liabilities	36,609	36,305
Non-current liabilities		
Bonds with share acquisition rights	10,073	10,051
Deferred tax liabilities	1,209	1,253
Retirement benefit liability	3,973	3,577
Other	778	803
Total non-current liabilities	16,034	15,686
Total liabilities	52,644	51,991
Net assets		
Shareholders' equity		
Share capital	13,660	13,660
Capital surplus	19,596	19,596
Retained earnings	86,668	94,320
Treasury shares	(10,649)	(9,586)
Total shareholders' equity	109,276	117,990
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,570	2,495
Foreign currency translation adjustment	(2,951)	(1,334)
Remeasurements of defined benefit plans	355	381
Total accumulated other comprehensive income	(25)	1,542
Total net assets	109,250	119,533
Total liabilities and net assets	161,894	171,525

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	233,934	207,608
Cost of sales	211,578	185,884
Gross profit	22,355	21,724
Selling, general and administrative expenses	9,977	9,999
Operating profit	12,377	11,725
Non-operating income		
Interest income	101	103
Dividend income	109	118
Foreign exchange gains	689	3,558
Subsidies for employment adjustment	112	192
Other	112	150
Total non-operating income	1,126	4,122
Non-operating expenses		
Interest expenses	70	35
Commission for syndicated loans	17	17
Other	14	8
Total non-operating expenses	102	61
Ordinary profit	13,401	15,786
Extraordinary income		
Gain on sale of non-current assets	210	370
Gain on sale of investment securities	0	225
Other	4	1
Total extraordinary income	215	598
Extraordinary losses		
Loss on sale and retirement of non-current assets	23	34
Impairment losses	233	43
Other	28	–
Total extraordinary losses	286	78
Profit before income taxes	13,330	16,306
Income taxes - current	3,131	4,391
Income taxes - deferred	(140)	12
Total income taxes	2,991	4,404
Profit	10,338	11,901
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	10,338	11,901

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	10,338	11,901
Other comprehensive income		
Valuation difference on available-for-sale securities	894	(75)
Foreign currency translation adjustment	382	1,616
Remeasurements of defined benefit plans, net of tax	316	26
Total other comprehensive income	1,593	1,567
Comprehensive income	11,932	13,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,932	13,469
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,660	19,596	77,791	(8,661)	102,386
Changes during period					
Dividends of surplus			(1,461)		(1,461)
Profit attributable to owners of parent			10,338		10,338
Purchase of treasury shares				(1,987)	(1,987)
Cancellation of treasury shares					－
Net changes in items other than shareholders' equity					
Total changes during period	－	－	8,877	(1,987)	6,889
Balance at end of period	13,660	19,596	86,668	(10,649)	109,276

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,676	(3,334)	38	(1,619)	100,767
Changes during period					
Dividends of surplus					(1,461)
Profit attributable to owners of parent					10,338
Purchase of treasury shares					(1,987)
Cancellation of treasury shares					－
Net changes in items other than shareholders' equity	894	382	316	1,593	1,593
Total changes during period	894	382	316	1,593	8,483
Balance at end of period	2,570	(2,951)	355	(25)	109,250

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,660	19,596	86,668	(10,649)	109,276
Changes during period					
Dividends of surplus			(1,411)		(1,411)
Profit attributable to owners of parent			11,901		11,901
Purchase of treasury shares				(1,775)	(1,775)
Cancellation of treasury shares			(2,838)	2,838	–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	7,651	1,063	8,714
Balance at end of period	13,660	19,596	94,320	(9,586)	117,990

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,570	(2,951)	355	(25)	109,250
Changes during period					
Dividends of surplus					(1,411)
Profit attributable to owners of parent					11,901
Purchase of treasury shares					(1,775)
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity	(75)	1,616	26	1,567	1,567
Total changes during period	(75)	1,616	26	1,567	10,282
Balance at end of period	2,495	(1,334)	381	1,542	119,533

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	13,330	16,306
Depreciation	3,136	3,185
Impairment losses	233	43
Increase (decrease) in allowance for doubtful accounts	1	(30)
Increase (decrease) in retirement benefit liability	(77)	(364)
Interest and dividend income	(211)	(221)
Interest expenses	70	35
Loss (gain) on sale and retirement of non-current assets	(186)	(336)
Loss (gain) on valuation of investment securities	12	–
Decrease (increase) in trade receivables	932	2,183
Decrease (increase) in inventories	(3,809)	(13,115)
Decrease (increase) in operating accounts receivable	(501)	(135)
Decrease (increase) in other assets	41	612
Increase (decrease) in trade payables	2,022	(7,274)
Increase (decrease) in other liabilities	250	1,687
Other, net	174	(230)
Subtotal	15,420	2,346
Interest and dividends received	189	199
Interest paid	(75)	(26)
Subsidies for employment adjustment received	112	192
Income taxes paid	(3,063)	(3,942)
Income taxes refund	7	–
Net cash provided by (used in) operating activities	12,590	(1,230)
Cash flows from investing activities		
Decrease (increase) in time deposits	22	275
Purchase of property, plant and equipment	(2,663)	(3,823)
Proceeds from sale of property, plant and equipment	465	404
Purchase of investment securities	–	(100)
Proceeds from sale of investment securities	0	342
Purchase of intangible assets	(135)	(134)
Other, net	(50)	(24)
Net cash provided by (used in) investing activities	(2,360)	(3,059)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(306)	(456)
Purchase of treasury shares	(1,987)	(1,775)
Dividends paid	(1,461)	(1,411)
Other, net	(105)	(104)
Net cash provided by (used in) financing activities	(3,860)	(3,748)
Effect of exchange rate change on cash and cash equivalents	504	995
Net increase (decrease) in cash and cash equivalents	6,873	(7,042)
Cash and cash equivalents at beginning of period	62,649	69,522
Cash and cash equivalents at end of period	69,522	62,479

(5) Notes to consolidated financial statements

Notes on going concern assumption

None applicable.

Significant matters serving as the basis for preparation of consolidated financial statements

a. Matters regarding scope of consolidation

The Company has all of its subsidiaries consolidated, and the number of consolidated subsidiaries is 22.

Domestic consolidated subsidiaries

Hosiden Seiko Corporation, Hosiden Kyushu Corporation, Hosiden F.D. Corporation, Hosiden Wakayama Corporation, Hosiden Plastics Corporation, and Hosiden Service Corporation

Overseas consolidated subsidiaries

Korea Hosiden Electronics Co., Ltd., Taiwan Hosiden Co., Ltd., Hong Kong Hosiden Ltd., Hosiden America Corp., Hosiden Singapore Pte. Ltd., Hosiden Electronics (Malaysia) Sdn. Bhd, Hosiden Besson Ltd., Hosiden Europe GmbH, Qingdao Hosiden Electronics Co., Ltd., Hosiden Electronics (Shanghai) Co., Ltd., Hosiden (Shenzhen) Co., Ltd., Hosiden Technology (Qingdao) Co., Ltd., Hosiden (Thailand) Co., Ltd., Hosiden Vietnam (Bac Giang) Co., Ltd., China Hosiden Co., Ltd., and Hosiden Cambodia Co., Ltd.

b. Matters regarding fiscal year of consolidated subsidiaries

Of consolidated subsidiaries, the closing date of the following six overseas consolidated subsidiaries is December 31: Qingdao Hosiden Electronics Co., Ltd., Hosiden Electronics (Shanghai) Co., Ltd., Hosiden (Shenzhen) Co., Ltd., Hosiden Technology (Qingdao) Co., Ltd., Hosiden Vietnam (Bac Giang) Co., Ltd., and China Hosiden Co., Ltd. In preparing consolidated financial statements for the fiscal year under review, the Company uses the financial statements as of December 31, but made necessary consolidation adjustments for significant transactions that occurred thereafter until the consolidated closing date.

c. Matters regarding accounting policies

1. Valuation standards and methods for significant assets

Securities

Available-for-sale securities

Non-marketable securities other than stocks, etc.

.......Market value method (Valuation difference is recognized directly into net assets in full, and the cost of securities sold is calculated based on the moving average method.)

Non-marketable securities, stocks, etc.

.......Moving average cost method

Derivatives

.......Market value method

Inventories

.......The Company and domestic consolidated subsidiaries mainly use the periodic average method (values on the balance sheet are subject to the carrying amount reduction method based on decreased profitability). Meanwhile, overseas consolidated subsidiaries use the lower of cost or market method (using the first-in, first-out method) for merchandise, and mainly the periodic average or weighted average method for finished goods, work in process, raw materials and supplies.

2. Depreciation and amortization method for significant depreciable assets

Property, plant and equipment

.......The Company and domestic consolidated subsidiaries use the diminishing balance method. However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and also structures acquired on or after April 1, 2016. Overseas consolidated subsidiaries mainly use the straight-line method.
The useful lives of principal assets are as follows.

Buildings and structures: 31-50 years

Machinery, equipment and vehicles: 5-9 years

Intangible assets

.......Straight-line method. Software for internal use is amortized by the straight-line method based on the internal usable period (five years).

3. Standards for recognizing significant provisions

Allowance for doubtful accounts

.......To prepare for bad debt expenses, the estimated uncollectable amounts regarding normal receivables are recognized using the loan loss ratio, and the estimated uncollectable amounts regarding certain receivables, such as doubtful receivables, are recognized by separately examining their collectability.

Provision for bonuses for directors

.......To prepare for bonus payments to directors, the relevant provision is recognized based on the estimated payment amount.

4. Accounting method for retirement benefits

Period attribution method for the expected retirement benefits

.......For calculating retirement benefit obligations, the benefit formula standards are used regarding the method of attributing the expected retirement benefits to the periods until the fiscal year under review.

Expensing method for actuarial gains and losses

.......Actuarial gains and losses are amortized by the straight-line method over a period within the average remaining service years for employees (mainly five years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

Accounting method for unrecognized actuarial gains and losses

.......Unrecognized actuarial gains and losses are recognized at the remeasurements of defined benefit plans item of accumulated other comprehensive income in net assets after adjusting tax effects.

5. Standards for recognition of significant revenues and expenses

The Group’s principal business is developing, manufacturing, and selling electronic components. Sales transactions to customers are based on the terms and conditions determined by agreement with the customer, and revenue is recognized when the performance obligation is satisfied by the transfer of control of the product to the customer. For product sales, the Company determines that the performance obligation is satisfied when the customer obtains control over the product at the time of delivery. However, for domestic product sales, the Company recognizes revenue at the time of shipment to the domestic delivery location designated by the customer.

6. Scope of net cash in the consolidated statement of cash flows

   The scope of net cash (cash and cash equivalents) in the consolidated statement of cash flows includes cash on hand, deposits drawable at any time, and short-term investments that are readily convertible to cash, are exposed to insignificant risks of changes in value and are redeemable within three months.

7. Accounting treatment for non-deductible consumption taxes on assets

   Non-deductible consumption taxes and local consumption taxes on assets are treated as expenses for the fiscal year under review.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition

The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; the “Accounting Standard for Revenue Recognition”) effective from the beginning of the fiscal year under review, and it has decided to recognize revenue at the time the control of promised goods or services is transferred to the customer in an amount expected to be received upon exchange of said goods or services. The application of the Accounting Standard for Revenue Recognition and its implementation guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the fiscal year under review, was added to or subtracted from the opening balance of retained earnings of the fiscal year under review. Thus the new accounting policy was applied from such opening balance. The impact on the consolidated financial statements is as follows.

Consideration payable to a customer

Previously, consideration paid to customers was recorded in cost of sales and selling, general and administrative expenses. The Company has changed its method of accounting for consideration paid to customers, except when it is paid in exchange for separate goods or services received from the customer, in which case it is reduced from the transaction value. The effect of this change on net sales and cost of sales for the fiscal year under review was immaterial.

Subcontract processing with charged materials

Previously, the Company recognized the extinguishment of paid-in goods supplied. However, in accordance with the treatment prescribed in Paragraph 104 of the “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition, March 26, 2021), the Company has changed the method of not recognizing the extinguishment of such paid-in goods at the time of supply. As a result, raw materials and supplies increased by 2,208 million yen, and other current liabilities increased by 2,208 million yen, respectively, in the fiscal year under review.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., “Notes and accounts receivable - trade” reported under the “Current assets” in the consolidated balance sheets for the previous fiscal year is included in “Notes” and “Accounts receivable - trade” effective from the fiscal year under review. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the line items for the previous fiscal year have not been reclassified using the new prescribed method.

Application of Accounting Standard for Fair Value Measurement, etc.

Effective from the beginning of the fiscal year under review, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; the "Accounting Standard for Fair Value Measurement"). Under the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company decided to apply the new accounting policy stipulate by the Accounting Standard for Fair Value Measurement, etc. for the future. There is no impact on the consolidated financial statements under review.

Segment information, etc.

1. Overview of reportable segments

   The Company's reportable segments are components of the Company for which separate financial information is available and which the Board of Directors regularly reviews to make decisions regarding the allocation of management resources and evaluate operating performance.

   The Company develops, manufactures and sells electronic components as its main business, and sets four reportable segments taking into account the product types and similarities of their businesses: electro-mechanical components, acoustic components, display components, and applied equipment and other.

   The electro-mechanical components segment primarily includes connectors, jacks and switches. The acoustic components segment primarily includes microphones, headphones, headsets, speakers and receivers. The display components segment primarily includes touch panels components. The applied equipment and other segment represents the applied devices that do not belong to the above segments.

2. Calculation of net sales, profit or loss, assets and other items by reportable segment

   Accounting methods for the reportable business segments are generally consistent with those described in the section "Significant matters serving as the basis for preparation of consolidated financial statements."

   Reportable segment profit is based on operating profit. Inter-segment sales and transfers are based on the actual transaction volume.

3. Net sales, profit or loss, assets and other items by reportable segment

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					Adjustments or company-wide (Note 1)	Amounts in consolidated financial statements (Note 2)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Net sales							
Sales to unaffiliated customers	203,465	12,386	8,551	9,529	233,934	–	233,934
Inter-segment sales and transfers	–	0	–	–	0	(0)	–
Total	203,465	12,386	8,551	9,529	233,934	(0)	233,934
Segment profit	10,157	208	169	1,841	12,377	–	12,377
Segment assets	70,237	8,119	2,858	3,553	84,767	77,127	161,894
Other items							
Depreciation	2,356	539	41	199	3,136	–	3,136
Increase in property, plant and equipment and intangible assets	2,622	453	56	183	3,316	160	3,476

Notes: 1. The adjustments are as follows:

(1) The company-wide assets of 77,127 million yen for segment assets include cash and deposits, securities, investment securities and deferred tax assets, etc.

(2) Of the increase in property, plant and equipment and intangible assets, 160 million yen is company-wide assets that are not allocated to each reportable segment.

2. The total amount of segment profit is equal to the operating profit in the consolidated statements of income.

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Adjustments or company-wide (Note 1)	Amounts in consolidated financial statements (Note 2)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Net sales							
Sales to unaffiliated customers	177,211	13,817	8,431	8,147	207,608	–	207,608
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	177,211	13,817	8,431	8,147	207,608	–	207,608
Segment profit	9,078	1,148	213	1,284	11,725	–	11,725
Segment assets	83,314	11,310	3,520	3,478	101,623	69,901	171,525
Other items							
Depreciation	2,350	473	135	226	3,185	–	3,185
Increase in property, plant and equipment and intangible assets	2,877	658	67	270	3,873	305	4,178

Notes: 1. The adjustments are as follows:

(1) The company-wide assets of 69,901 million yen for segment assets include cash and deposits, securities, investment securities and deferred tax assets, etc.

(2) Of the increase in property, plant and equipment and intangible assets, 305 million yen is company-wide assets that are not allocated to each reportable segment.

2. The total amount of segment profit is equal to the operating profit in the consolidated statements of income.

4. Changes in reportable segments

   Effective from the fiscal year under review, the Company has changed its method of measuring net sales and profit (loss) by reportable segment in order to evaluate the performance of each segment more quickly and make management decisions based on more realistic information. The segment information for the previous consolidated fiscal year is presented based on the method according to the new measurement method.

Per share information

(Yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	1,935.14	2,175.11
Basic earnings per share	178.70	211.57
Diluted earnings per share	166.28	196.32

Note: The basis for calculation is as follows.

1. Basic earnings per share and diluted earnings per share

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
(1) Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	10,338	11,901
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent relating to common shares (Millions of yen)	10,338	11,901
Average number of common shares outstanding during the period (Thousands of shares)	57,856	56,255
(2) Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	(14)	(14)
(Of which, amortization amount of bonds discount and expenses (after deducting the tax-equivalent amount))* (Millions of yen)	[(14)]	[(14)]
Increase in common shares (Thousands of shares)	4,231	4,294
Overview of potential shares that were not included in the calculation of diluted earnings due to lack of a dilutive effect	–	–

Note: This represents the amortization amount (after deducting the tax-equivalent amount) relating to the difference occurred due to the issuance of bonds at the value higher than the face value.

2. Net assets per share

	Previous fiscal year-end (March 31, 2021)	Current fiscal year-end (March 31, 2022)
Total net assets (Millions of yen)	109,250	119,533
Amount to be deducted from total net assets (Millions of yen)	–	–
Year-end net assets relating to common shares (Millions of yen)	109,250	119,533
Number of year-end common shares used for the calculation of net assets per share (Thousands of shares)	56,456	54,955

Significant subsequent events

None applicable.

5. Others

(1) Changes in the representative

None applicable.

(2) Changes in other directors and officers

None applicable.

(3) Sales performance by segment

	Current fiscal year (From April 1, 2021 to March 31, 2022)	
Segment name	Amount (Millions of yen)	Composition ratio
Electro-mechanical components	177,211	85.3%
Acoustic components	13,817	6.7%
Display components	8,431	4.1%
Applied equipment and other	8,147	3.9%
Total	207,608	100.0%