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and Articles of Association

Consolidated Statements of Changes in Net Assets

Basis of Preparing Consolidated Financial Statements and other Notes

Statements of Changes in Net Assets

Significant Accounting Policies and other notes

For the 48th Fiscal Year (from April 1, 2020 to March 31, 2021)

YUSHIN PRECISION EQUIPMENT CO., LTD.

These documents, -“Consolidated Statements of Changes in Net Assets”,
“Basis of Preparing Consolidated Financial Statements and other Notes”,
“Statements of Changes in Net Assets” and “Significant Accounting Policies
and other notes” - are provided on YUSHIN’s website
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and regulations and articles of association.

Consolidated Statements of Changes in Net Assets

(from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2020	1,985,666	2,023,903	24,531,217	(1,355,167)	27,185,619
Changes in the current period					
Dividends of surplus			(510,534)		(510,534)
Profit attributable to owners of parent			1,827,868		1,827,868
Acquisition of treasury shares				(54)	(54)
Change in ownership interest of parent due to transactions with non-controlling interests		694			694
Changes in items other than shareholders' equity, net					
Total changes in the current period	-	694	1,317,334	(54)	1,317,974
Balance as of March 31, 2021	1,985,666	2,024,597	25,848,552	(1,355,222)	28,503,594

	Total accumulated other comprehensive income				Non-controlling interests	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 as of April 1, 2020	16,443	(34,487)	62,169	44,125	242,216	27,471,961
Changes in the current period						
Dividends of surplus						(510,534)
Profit attributable to owners of parent						1,827,868
Acquisition of treasury shares						(54)
Change in ownership interest of parent due to transactions with non-controlling interests						694
Changes in items other than shareholders' equity, net	87,397	324,821	2,583	414,802	(5,336)	409,465
Total changes in the current period	87,397	324,821	2,583	414,802	(5,336)	1,727,440
Balance as of March 31, 2021	103,840	290,333	64,753	458,927	236,879	29,199,402

1. Basis of Preparing Consolidated Financial Statements

(1) Scope of consolidation

All 13 subsidiaries of the Company, provided below, fall within the scope of consolidation.

List of Subsidiaries

YUSHIN AMERICA, INC.
YUSHIN KOREA CO., LTD.
YUSHIN PRECISION EQUIPMENT SDN. BHD.
YUSHIN PRECISION EQUIPMENT (TAIWAN) CO., LTD.
YUSHIN PRECISION EQUIPMENT (THAILAND) CO., LTD.
YUSHIN AUTOMATION, LTD.
YUSHIN PRECISION EQUIPMENT TRADING (SHENZHEN) CO., LTD.
YUSHIN PRECISION EQUIPMENT TRADING (SHANGHAI) CO., LTD.
YUSHIN PRECISION EQUIPMENT (INDIA) PVT. LTD.
GUANGZHOU YUSHIN PRECISION EQUIPMENT CO., LTD.
PT. YUSHIN PRECISION EQUIPMENT INDONESIA
YUSHIN PRECISION EQUIPMENT (VIETNAM) CO., LTD.
YUSHIN EUROPE GMBH

(2) Application of the equity method

There is no non-consolidated subsidiary or affiliate company.

(3) Accounting policies

a. Valuation of important assets

i) Securities

Available-for-sale securities classified as other securities

- Securities with available fair market values are reported at fair value on the consolidated account closing date
(Unrealized gains or losses, net of applicable taxes, reported in a separate component of equity.
The cost of securities sold is principally determined by the moving average method)

ii) Inventories

- Merchandise and finished goods, Work-in-process
Principally carried at cost determined by the identified cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
- Raw materials
Principally carried at cost determined by the periodic average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
- Supplies
Carried by the last purchase price method

b. Depreciation

- i) Property, plant and equipment (excluding leased assets): Principally computed by the declining balance method

The range of useful lives for major assets is as follows:

Buildings:	13 - 40 years
Structures:	7 - 20 years
Machinery and equipment:	5 - 12 years
Tools, furniture and fixtures:	2 - 10 years

- ii) Intangible assets (excluding leased assets)

- Software used internally: Straight-line method based on the expected useful lives
- Other intangible assets: Straight-line method

- iii) Leased assets: For leased assets under non-ownership transfer finance lease transactions, the Company applies a straight-line method with the lease period as useful life and the residual value as 0.

c. Estimation on important allowance and reserves

- i) Allowance for doubtful accounts:
To provide for possible bad debt losses, the amount deemed unrecoverable is accounted using the loan loss ratio based on past experience for general claims and by examining the possibility of recovery on an individual basis for specific claims with default possibility.
- ii) Provision for bonuses:
In order to allocate the payment of employees' bonuses, the Company provides the amount subject to the fiscal year under review among the total estimated amount to be paid as employees' bonuses.
- iii) Provision for bonuses for directors:
The Company provides the projected payment amount to be allocated for the payment of bonuses to Directors and Corporate Auditors.
- iv) Provision for product warranties:
To provide for expenses incurred for free repairs related to product sales, an amount is accounted based on historical experience.

d. Other significant matter for the preparation of Consolidated Financial Statements

- i) Accounting for Retirement benefit assets and liabilities
To provide for employees' retirement benefits, based on the projected benefit obligations at year-end and the pension asset balance, the amount of pension assets surplus to projected benefit obligations is recorded.
The net actuarial loss or gain is subject to amortization from the next fiscal year of the recognition thereof onward in an amount pro-rated by the straight-line method based on the average remaining employee service period (10 to 16 years) at the time of the recognition of net actuarial loss or gain in each fiscal year.
Unrecognized actuarial differences is recorded in "Remeasurements of defined benefit plans" under "Total accumulated other comprehensive income" in Net assets after adjusting for tax effects.
- ii) Accounting for Consumption tax and local consumption tax
Consumption tax and local consumption tax are accounted for using the tax excluded method.

2. Notes to Consolidated Balance Sheet

Accumulated depreciation of property, plant and equipment: 6,759,166 thousand yen

3. Notes to Consolidated Statement of Changes in Net Assets

(1) Total number of issued shares

Class of shares	Number of shares at the beginning of current FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	35,638,066	-	-	35,638,066

(2) Number of treasury shares

Class of shares	Number of shares at the beginning of current FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	1,602,454	64	-	1,602,518

Notes: Of the increase in the number of shares of treasury shares 64 shares is due to the purchase of shares of less than one unit.

(3) Dividends of surplus

a. Payment of dividends

Resolution	Class of shares	Total dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
The Board of Directors' Meeting on May 14, 2020	Common stock	340,356	10	March 31, 2020	June 5, 2020
The Board of Directors' Meeting on November 6, 2020	Common stock	170,178	5	September 30, 2020	December 1, 2020

b. Dividends whose record date falls within this consolidated fiscal year but comes into effect in the next consolidated fiscal year

Resolution	Class of shares	Total dividend (Thousands of yen)	Dividend funds	Dividend per share (Yen)	Record date	Effective date
The Board of Directors' Meeting on May 11, 2021	Common stock	442,462	Retained earnings	13	March 31, 2021	June 3, 2021

4. Notes to Financial Instruments

(1) Conditions of financial instruments

a. Management policy

YUSHIN Group has a policy of limiting investments of unused funds to short-term deposits, certificates of deposits and similar instruments and never using these funds for speculation. Internal resources are used to meet all working capital requirements. Derivative instruments may be used to hedge exposure to foreign exchange rate risk but will never be used for speculation.

b. Details of financial instruments and their risks

Operating receivables consisting of Notes and accounts receivable - trade are generally exposed to the credit risk of customers, while foreign currency denominated operating receivables at foreign operations are exposed also to the foreign exchange risk.

Investment securities are available-for-sale securities and are exposed to risk associated with market price volatility.

Operating debt consisting of Notes and accounts payable - trade and Electronically recorded obligations - operating are largely due four months or less. Accounts payable - other and Income taxes payable are due one year or less.

c. Risk management system for financial instruments

Payment dates and balances of outstanding are supervised for each customer based on rules for the management of trade receivables and credit. In addition, there is a system for monitoring the financial soundness of customers.

For Investment securities, there are measures to periodically monitor the fair values of these securities and the financial soundness of issuers of these securities.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and their differences as of March 31, 2021 are shown as follows.

		Carrying value (thousands of yen)	Fair value (thousands of yen)	Differences (thousands of yen)
(1)	Cash and deposits	11,690,730	11,690,730	-
(2)	Notes and accounts receivable – trade	5,563,680	5,563,680	-
(3)	Consumption taxes receivable	71,912	71,912	-
(4)	Investment securities			
	Other securities	285,724	285,724	-
	Assets total	17,612,047	17,612,047	-
(1)	Notes and accounts payable - trade	1,933,977	1,933,977	-
(2)	Electronically recorded obligations - operating	839,221	839,221	-
(3)	Accounts payable - other	542,158	542,158	-
(4)	Income taxes payable	400,497	400,497	-
	Liabilities total	3,715,855	3,715,855	-

Note: Matters concerning determination of fair value of financial instruments and marketable securities.

(Assets)

(1) Cash and deposits, (2) Notes and accounts receivable – trade, and (3) Consumption taxes receivable.

Fair value of the above financial instruments is deemed to be equal to their carrying value because they are settled within a short period of time.

(4) Investment securities

Fair value of the above financial instruments such as stocks is determined by prices at stock exchanges.

(Liabilities)

(1) Notes and accounts payable - trade, (2) Electronically recorded obligations - operating, (3) Accounts payable - other and (4) Income taxes payable

Fair value of the above financial instruments is deemed to be equal to their carrying value because they are settled within a short period of time.

5. Per Share Information

(1) Net assets per share:	850.95 yen
(2) Net income per share:	53.70 yen

Note: Amounts less than one thousand yen are truncated.

Statements of Changes in Net Assets

(from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for dividend equalization	General reserve	Retained earnings brought forward	
Balance as of April 1, 2020	1,985,666	2,023,903	2,023,903	286,314	1,000,000	8,700,000	12,393,383	22,379,698
Changes in the current period								
Dividends of surplus							(510,534)	(510,534)
Profit							1,470,764	1,470,764
Acquisition of treasury shares								
Changes in items other than shareholders' equity, net								
Total changes in the current period	-	-	-	-	-	-	960,230	960,230
Balance as of March 31, 2021	1,985,666	2,023,903	2,023,903	286,314	1,000,000	8,700,000	13,353,614	23,339,928

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2020	(1,355,167)	25,034,100	16,443	16,443	25,050,544
Changes in the current period					
Dividends of surplus		(510,534)			(510,534)
Profit		1,470,764			1,470,764
Acquisition of treasury shares	(54)	(54)			(54)
Changes in items other than shareholders' equity, net			87,397	87,397	87,397
Total changes in the current period	(54)	960,175	87,397	87,397	1,047,573
Balance as of March 31, 2021	(1,355,222)	25,994,276	103,840	103,840	26,098,117

1. Significant Accounting Policies

(1) Valuation of important assets

- a. Stocks of subsidiaries and affiliates
Carried at cost determined by the moving average method
- b. Available-for-sale securities classified as other securities
 - Securities with available fair market values are reported at fair value on the closing date (Unrealized gains or losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is principally determined by the moving average method)
- c. Inventories
 - Merchandise and finished products, Work in process:
Carried at cost determined by the identified cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).
 - Raw materials:
Carried at cost determined by the periodic average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
 - Supplies:
Carried by the last purchase price method

(2) Depreciation

- a. Property, plant and equipment (excluding leased assets): Declining balance method
The range of useful lives for major assets is as follows:

Buildings:	13 - 38 years
Structures:	7 - 20 years
Machinery and equipment:	12 years
Tools, furniture and fixtures:	2 -10 years
- b. Intangible assets (excluding leased assets)
 - Software used internally: Straight-line method based on the expected useful lives
 - Other intangible assets: Straight-line method
- c. Leased assets: For leased assets under non-ownership transfer finance lease transactions, the Company applies a straight-line method with the lease period as useful life and the residual value as 0.

(3) Estimation on allowance and reserves

- a. Allowance for doubtful accounts:
To provide for possible bad debt losses, the amount deemed unrecoverable is accounted using the loan loss ratio based on past experience for general claims and by examining the possibility of recovery on an individual basis for specific claims with default possibility.
- b. Provision for bonuses:
In order to allocate the payment of employees' bonuses, the Company provides the amount subject to the fiscal year under review among the total estimated amount to be paid as employees' bonuses.
- c. Provision for bonuses for directors:
The Company provides the projected payment amount to be allocated for the payment of bonuses to Directors and Corporate Auditors.
- d. Provision for product warranties:
To provide for expenses incurred for free repairs related to product sales, an amount is accounted based on historical experience.

(4) Retirement benefits

To provide for employees' retirement benefits, based on the projected benefit obligations at year-end and the pension asset balance, the amount of pension assets surplus to projected benefit obligations (Prepaid pension costs) is recorded in the "Other" field under "Investments and other assets." The net actuarial loss or gain is subject to amortization from the next fiscal year of the recognition thereof onward in an amount pro-rated by the straight-line method based on the average remaining employee service period (10 to 16 years) at the time of the recognition of net actuarial loss or gain in each fiscal year.

(5) Other basic significant matter for the preparation of Financial Statements

Consumption tax and local consumption tax are accounted for using the tax excluded method.

2. Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment:	5,748,866 thousand yen
(2) Monetary credit and debts to affiliates	
a. Short-term monetary credit:	1,841,009 thousand yen
b. Short-term monetary debts:	76,009 thousand yen

3. Notes to Statements of Income

Transactions with subsidiaries and affiliates

a. Net sales:	4,559,898 thousand yen
b. Purchases:	75,728 thousand yen
c. Selling, general and administrative expenses:	198,062 thousand yen
d. Non-operating transactions:	636,646 thousand yen

4. Notes to Statement of Changes in Net Assets

Number of treasury shares

Class of shares	Number of shares at the beginning of current FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	1,602,454	64	-	1,602,518

Notes: Of the increase in the number of shares of treasury shares 64 shares is due to the purchase of shares of less than one unit.

5. Notes on Tax-effect Accounting

(1) Breakdown by cause of deferred tax assets and liabilities

	(Thousands of yen)
Deferred tax assets	
Inventories	61,521
Excess depreciation of property, plant and equipment	324,259
Excess depreciation of intangible assets	108,122
Provision for bonuses	83,875
Provision for product warranties	18,910
Provision for retirement benefits for directors	20,367
Other	75,551
Subtotal deferred tax assets	<u>692,608</u>
Valuation Allowance	<u>(21,995)</u>
Total deferred tax assets	<u>670,613</u>
Deferred tax liabilities	
Prepaid pension costs	62,084
Valuation difference on available-for-sale securities	45,570
Total deferred tax liabilities	<u>107,655</u>
Net deferred tax assets	<u>562,957</u>

6. Transactions with Related Parties

Subsidiaries, etc.

Type	Name	% of voting rights held	Relationship		Type of transactions	Transaction amount (thousands of yen)	Account	Year-end balance (thousands of yen)
			Concurrent Directors, etc.	Business relationship				
Subsidiary	YUSHIN AMERICA, INC.	100% Directly held by the Company	Concurrent Directors: 3	Sales and maintenance & repair of the Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment	Sale of products	1,463,794	Accounts receivable - trade	464,864
	YUSHIN KOREA CO., LTD.	100% Directly held by the Company	Concurrent Directors: 2	Sales and maintenance & repair of the Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment	Sale of products	854,294	Accounts receivable - trade	309,432
	YUSHIN AUTOMATION LTD.	95.6% Directly held by the Company	Concurrent Directors: 2	Sales and maintenance & repair of the Company products.	Sale of products	973,372	Accounts receivable - trade	127,121
	GUANGZHOU YUSHIN PRECISION EQUIPMENT CO., LTD.	100% Directly held by the Company	Concurrent Directors: 3	Manufacture of the Company products	Sale of products	441,470	Accounts receivable - trade	555,934

Transaction terms or method of determining transaction terms

(Note) For sale of products, prices are determined by negotiations considering local market prices.

7. Per Share Information

(1) Net assets per share:

766.79 yen

(2) Net income per share:

43.21 yen

Note: Amounts less than one thousand yen are truncated.