

# Annual Report 2022

For the year ended March 31, 2022



# Profile

Since its establishment in 1935 as a manufacturer of chemical plant equipment, Mitsubishi Kakoki Kaisha, Ltd. (MKK) has met the diversified needs of industries in the fields of energy, chemicals, foodstuffs, pharmaceuticals, air purification, and water and waste treatment. As an integrated engineering corporation, MKK has greatly contributed to the promotion of industrial prosperity.

MKK is furthering societal change by promoting the efficient use of resources and energy, the ongoing development of fine chemicals, and the refining of biotechnological and environmental technologies.

# Contents

Financial Highlights (Consolidated).....	1
Report to Our Stockholders .....	2
Review of Operations.....	4
Major Products of MKK Group.....	4
Independent Auditor's Report .....	5
Consolidated Balance Sheet.....	10
Consolidated Statement of Operations.....	12
Consolidated Statement of Comprehensive Income .....	12
Consolidated Statement of Changes in Net Assets.....	13
Consolidated Statement of Cash Flows .....	14
Notes to Consolidated Financial Statements .....	15
Board of Directors and Executive Officers.....	29
Corporate Information.....	29

# Financial Highlights (Consolidated)

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries  
Fiscal years ended March 31

For the year ended March 31	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Net sales	<b>¥45,438</b>	¥48,753	¥45,062	<b>\$371,262</b>
Income before income taxes and non-controlling interests	<b>3,545</b>	3,581	2,689	<b>28,969</b>
Profit attributable to owners of parent	<b>2,547</b>	2,511	1,860	<b>20,813</b>
Orders received	<b>46,783</b>	31,609	62,639	<b>382,251</b>

As of March 31

Total assets	<b>¥50,521</b>	¥51,837	¥48,545	<b>\$412,788</b>
Net assets	<b>27,307</b>	25,286	21,259	<b>223,116</b>
Backlog of orders	<b>41,985</b>	40,640	57,784	<b>343,047</b>

Summary of Sales by Product	Net Sales			Orders Received		
	Millions of yen		Thousands of U.S. dollars*	Millions of yen		Thousands of U.S. dollars*
	2022	2021	2022	2022	2021	2022
Engineering	<b>¥33,212</b>	¥36,796	<b>\$271,370</b>	<b>¥33,234</b>	¥21,309	<b>\$271,542</b>
Machinery	<b>12,225</b>	11,957	<b>99,892</b>	<b>13,549</b>	10,299	<b>110,709</b>
Total	<b>¥45,438</b>	¥48,753	<b>\$371,262</b>	<b>¥46,783</b>	¥31,609	<b>\$382,251</b>

\* U.S. dollar amounts have been translated from yen, for convenience only, at ¥122.39=U.S. \$1, the approximate rate of exchange prevailing on March 31, 2022.

# Report to Our Stockholders



## Business Environment and Business Results

During the fiscal year ended March 31, 2022, the Japanese economy continued to find itself in an extremely challenging position due to the effects of the novel coronavirus (COVID-19). While new cases of COVID-19 increased from the beginning of the year to the summer season, the numbers subsequently decreased with the rollout of vaccines, and private-sector capital investments and production showed signs of recovery. Meanwhile, the supply chain was disrupted as a result of the semiconductor shortage and, in the winter season, there was a resurgence of COVID-19 caused by the new variant (omicron variant), and the recovery in personal consumption slowed down. The situation was further aggravated by increasing concerns about geopolitical risks including the situation in Ukraine and the economy continued to remain uncertain.

Under these circumstances, the Mitsubishi Kakoki Kaisha, Ltd. (MKK) Group, in the final year of its three year medium-term business plan (covering the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022), sought to improve performance by securing orders and improving costs, as well as by developing business activities under key policy initiatives, including promoting initiatives for next-generation growth sectors and strengthening our corporate structure, in line with the medium-term business plan's framework, with a view to securing operating income, which is our most important issue. Additionally, as part of the reinforcement of our business foundations, we aggregated and reconstructed the headquarters functions by opening a new head office, while at the same time, implementing measures for the future development of the Group, including the formulation of a long-term management vision.

The total amount of orders received on a consolidated basis during the fiscal year increased 48.0% compared to the previous fiscal year, to ¥46,783 million. This was due to increases in orders received both in the Engineering and the Machinery businesses.

Net sales decreased 6.8% compared to the previous fiscal year, to ¥45,438 million, as the contributions made to net sales by construction contracts already concluded had ended in the previous fiscal year, and also reflecting the decrease in orders received in the previous fiscal year.

In terms of income and loss, operating income was ¥2,770 million (versus ¥2,745 million in the previous fiscal year) and ordinary income was ¥3,230 million (versus ¥2,939 million in the previous fiscal year). This was due to an improved cost of sales ratio resulting from improved profitability in construction, despite increases in selling, general and administrative expenses. In addition, we recorded extraordinary losses from impairment loss and removal expenses of non-current assets, and also recorded extraordinary income from gain on sales of investment securities, which resulted in profit attributable to owners of parent of ¥2,547 million (versus ¥2,511 million in the previous fiscal year).

On a non-consolidated basis, during the fiscal year MKK received orders amounting to ¥36,336 million (up 58.0% year on year) and recorded net sales of ¥34,211 million (down 5.2% year on year), operating income of ¥2,254 million (versus ¥1,598 million in the previous fiscal year), ordinary income of ¥2,800 million (versus ¥2,198 million in the previous fiscal year) and net income of ¥2,323 million (versus ¥2,129 million in the previous fiscal year).

In determining its period-end dividend, MKK took into consideration factors including its performance for the fiscal year, the Company's assessment of future operating conditions and its financial position. On this basis, the Company has declared a period-end dividend of ¥70.00 per share, the same amount as the previous fiscal year.

## Issues Facing the Group

The Japanese economy is expected to continue to recover, as the effects of COVID-19 run their course. However, with concerns for increasing geopolitical risks and the soaring prices of resources caused by the Russian invasion of Ukraine, as well as the rising procurement costs of raw materials resulting from the most drastic depreciation of the yen in 20 years, and the obvious dampening of business sentiment, the future economic outlook is expected to

remain unpredictable.

This year was the final year of the three-year medium-term business plan, which began in the fiscal year ended March 31, 2020. During the period of this medium-term business plan, the Group engaged in business activities in line with the three basic policies of the plan: 1) Becoming a corporate entity centered on growth businesses with differentiated technologies, 2) Giving profit indicators top priority and establishing a highly stable earnings structure, and 3) Improving consolidated profitability by promoting Groupwide management. While being effected by COVID-19, we managed to achieve increases in both revenue and profits and reached our targets for net sales and operating income for the most part. On the other hand, although we promoted technological development in the three next-generation growth sectors, highlighted as priority development areas, i.e., equipment geared to clean energy, usage and application of biogas, and marine environment-protection regulations for ships, such developments did not result in the contribution to net sales and profits, and it has become necessary to recalibrate our strategies in making these areas core businesses.

In light of the above results and based on the “Mitsubishi Kakoki Group’s Management Vision for 2050,” which was formulated and announced in November 2021, with consideration for social issues such as decarbonization, the Company established a new medium-term business plan (from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025). The new medium-term business plan positions the next three years as the period to solidify the growth required to achieve the above-mentioned management vision and will promote 1) Further selection and concentration of existing businesses and the establishment of a new business portfolio by shifting management resources to new business fields, and 2) Establishment of the management foundation by focusing on (i) the establishment of a manufacturing strategy in the strategic business fields, (ii) the promotion of Group management that dynamically utilizes the Group’s entire management resources to improve profitability, and (iii) the enhancement of corporate value through initiatives that align with TCFD recommendations and the implementation of measures to improve capital efficiency, as its basic policy. Under this basic policy, we will secure operating income by quickly adapting to market changes, strengthening our sales capabilities, technological capabilities, and profitability. At the same time, by proactively making strategic investments into the newly established

Technology Development & Production Division and the DX Promotion Division, etc., we will work to achieve our management vision.

We will continue pursuing policies to strengthen our corporate structure through Group-wide business efficiency, indirect cost reductions and enhancement of the Group’s financial structure. Furthermore, our human resources policies will be based on the standpoint of diversity and by assigning the right person to the right position, we will create an environment where all employees can realize their full potential. At the same time, by developing a talent pool for management and experts through recruiting and nurturing visionary human resources with leadership and awareness for change, who are capable of adapting to changes in the business environment to enable the Company’s sustained growth, we will promote human resources development and utilization across the entire Group.

As described above, through continuous investments into next-generation growth sectors and other business activities based on new medium-term business plan, the Group, as a corporate group engaged in manufacturing and engineering that contribute to a low-carbon and recycling-based society, we will aim to sustainably increase corporate value. In addition, we will further focus on ensuring safety, while contributing to the achievement of the SDGs through promoting business activities from the standpoint of ESG. At the same time, we aim to be trusted by the wider community, and to that end will work continuously to ensure full compliance with laws and regulations, and to operate appropriately our internal control system in conformity with the stipulations of the Corporation Act of Japan and Financial Instruments and Exchange Act. We will also work to further enhance our corporate governance.

I sincerely request the continued support and encouragement of our stockholders in our ongoing efforts.

June 29, 2022



Toshikazu Tanaka  
*President*

# Review of Operations

## Engineering Operations

In Engineering Operations, in addition to attempts to identify customer needs, MKK sought to secure orders for a wide variety of plants and equipment to private sector customers as well as individually tailored sewage treatment equipment, mainly to public authorities. In the clean energy-related and biogas usage and application-related domains, as next-generation growth sectors, we continued investments in research and development and continued to work on various research and tests for proving commercial viability in order to improve and strengthen related technology. In terms of tests for proving commercial viability, we received orders for the testing of sludge thermal solubilization units for the first time. In the overseas business, we continued to work to develop the plant business and implemented reinforcement strategies, particularly in Taiwan where semiconductor-related capital investments were robust, by upgrading our overseas office to a branch.

Orders received increased 56.0% over the previous fiscal year's ¥21,309 million, to ¥33,234 million. This was a result of securing contracts for a variety of plants and equipment for private sector customers in Japan and overseas, as well as strong performances in individually tailored sewage treatment equipment, mainly to public authorities.

Net sales decreased 9.7% from the previous fiscal year's ¥36,796 million, to ¥33,212 million, as the contributions made to net sales by construction contracts already concluded had ended in the previous fiscal year, and also reflecting the decrease in orders received in the previous fiscal year.

## Machinery Operations

In Machinery Operations, we worked to secure orders through the expansion of sales of Mitsubishi Oil Purifiers, which are a mainstay product, as well as the cultivation of projects for various types of standalone machinery. With regard to equipment complying with marine environment-protection regulations for ships, designated as one of our growth sectors, we continued to promote product development and market launch.

Orders received increased 31.6% over the previous fiscal year's ¥10,299 million, to ¥13,549 million. This was due to an increased number of contracts year on year for Mitsubishi Oil Purifiers, as well as equipment complying with marine environment-protection regulations for ships and various types of standalone machinery, thanks to the recovery of the shipbuilding and the marine transportation industries and the resumption of private-sector capital investments.

Net sales increased 2.2% from the previous fiscal year's ¥11,957 million, to ¥12,225 million.

	2022	2021
<b>Orders Received</b>		
Engineering (%)	71.0	67.4
Machinery (%)	29.0	32.6
Total (millions of yen)	¥46,783	¥31,609
<b>Net Sales</b>		
Engineering (%)	73.1	75.5
Machinery (%)	26.9	24.5
Total (millions of yen)	¥45,438	¥48,753

# Major Products of MKK Group

## Engineering

Town Gas Production Plant, ICI Naphtha Reforming Plant, CRG (Catalytic Rich Gas) Plant, SNG (Substitute Natural Gas) Plant, LNG Satellite Plant/LNG Vaporizer, Coke Oven Gas Desulfurization Plant, Coke Oven Gas Treating Plants, Coal Gasification Plants, Petroleum Related Plant, Sulfur Recovery/Tail Gas Processing Plant, Thermal Cracking Plant, Hydrosulfurization Plant, Hydrogen Plant, Cryogenic Air Separation Plant, Supercritical Fluid Extraction System, Chromatographic Separation System, Detergent Plant, Pharmaceutical Plant, Glucose Plant, Superpure Chemical Plant (EL grade), Cultivation/Fermentation Plant, Ultra Filtration Membrane Plant, Reverse Osmosis Membrane Plant, Sulfuric Acid Plant, Methanol/Formalin Synthesis Plant, Hydrogen Generation Plant, Nitrogen Generation Plant, CO Separation/Refining Plant, Resin Plant, Butanol Plant, Synthetic Glycerin Plant, Propylene Glycol Plant, Phenol Plant, Engineering Plastics Plant, Food Processing Plant, Meat Processing Plant, Thawing Equipment, Continuous Edible Oil Extraction Plant, Edible Oil Refining Plant, Soy Bean Albumin Plant, Microwave Heating Sterilizer, Industrial Waste Treatment Plant, Sewage Treatment Plant, Agricultural/Fishery Waste Water Treatment Facilities, Leachate Treatment Facilities for Final Waste Disposal Plants, Industrial Waste Water Treatment Plant, Recycled Water Utilization Plant, Desalination Plant, Waste Oil Treatment Plant, Flue Gas Desulfurization Plant, Flue Gas NOx Removal Plant, Sludge Processing Plant, Water-Permeable Brick Plant (Sewage Sludge), Municipal Solid Waste Incineration Plant, Industrial Waste Incineration Plant, Deodorizing Facilities

## Machinery

Oil Purifier (SJ and OP), Centrifugal Separator, Dryer, Filter, Young Filter (conforming to GMP), Schneider Filter (Rolling Mill Coolant Oil Filter), Belt Dehydrator, Mixer, Cleaners, Concentrator, Strainer, Seawater Intake Screening Equipment, Heat Exchanger, Tower, Vessel, Ballast Water Treatment System, SOx Scrubber System

## Independent Auditor's Report

The Board of Directors  
Mitsubishi Kakoki Kaisha, Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Mitsubishi Kakoki Kaisha, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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 its consolidated financial performance and its consolidated cash flows for the year 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of total cost used to measure revenue recognized over time by the Company	
Description of Key Audit Matter	Auditor's Response
<p>Mitsubishi Kakoki Kaisha, Ltd. (the Company) and its consolidated subsidiaries recognize revenue over time based on the progress in satisfying performance obligations, because such performance obligations related to construction contracts are satisfied over time.</p> <p>Of net sales of ¥45,438 million recognized for the fiscal year, ¥22,599 million, or 49%, represents revenue recognized over time by the Company.</p> <p>As described in Note 1(r) (Significant Accounting Estimates) to the consolidated financial statements, the progress in satisfying performance obligations used to measure revenue recognized over time is calculated based on the proportion of the actual cost incurred by the end of the fiscal year against the estimated total cost of construction using the input methods.</p> <p>Since the construction work is highly specific in nature and completed based on instructions from customers, it is difficult to develop a uniform standard for calculating the total estimated cost. Therefore, estimates require certain assumptions and judgment to be made by the construction manager who has knowledge and experience of construction work.</p> <p>In addition, since construction is generally completed over long-term periods, there is a possibility that construction costs will be revised or adjustments made to the specifications in the course of the construction, and therefore it is difficult to perform a timely and appropriate review of the total estimated costs. In particular, considering the scale and complexity of the construction done by the Company, the uncertainty of the total cost estimate is high and involves subjective judgment by the construction manager.</p> <p>Accordingly, we have determined that the estimate of total cost used to measure revenue recognized over time by the Company is a key audit matter due to the significance of the balance, estimates, judgements and the degree of uncertainty for the fiscal year.</p>	<p>We performed the following audit procedures to assess the adequacy of the estimate of total cost used to measure revenue recognized over time by the Company, among others.</p> <p>(1) Evaluation of internal controls</p> <p>We evaluated the design and operating effectiveness of the following internal controls of the Company concerning the total cost estimate.</p> <ul style="list-style-type: none"> <li>Control to ensure the reliability around the preparation of the report on the status of individual construction work (the project status report), which is the basis of the total cost estimate and the approval by the construction manager.</li> <li>System through which the total cost estimate is reviewed in a timely manner in accordance with the status of the work, the actual cost incurred or any change in specification from the customer.</li> <li>System for timely and appropriate monitoring of the profit or loss and the progress of construction by the construction cost management department responsible for the reliability of construction cost.</li> </ul> <p>(2) Evaluation of reasonableness of estimated total cost</p> <p>In light of various factors, such as construction contract amount, construction profit or loss, construction specifications, status of construction, we identified and selected those construction projects for which there is a relatively high degree of uncertainty in terms of the total cost estimate and performed the following procedures.</p> <ul style="list-style-type: none"> <li>We compared the estimated total cost with the project status report, which is the basis of the calculation, and assessed whether it was calculated by aggregating costs for each type of construction and whether there were any abnormal adjustments made to the project status report due to future uncertainty.</li> </ul>



	<ul style="list-style-type: none"> <li>• We compared the estimated total cost with the initial estimated total cost and made inquiries about the progress of the construction and the status of the estimated total cost with the construction manager. We assessed the timeliness and appropriateness of the review of estimated total cost by comparing with the construction schedule, the estimates from subcontractors and the status of expenses.</li> <li>• We inspected certain construction sites and assessed the consistency between the actual construction, total cost estimate and the progress in satisfying performance obligations.</li> <li>• We assessed the process for determining the estimated total cost by comparing the initial estimated total cost with the actual total cost.</li> </ul>
--	---

## Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of 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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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 in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

#### **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 Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

July 28, 2022

/s/ Yukiyasu Yamakawa  
Designated Engagement Partner  
Certified Public Accountant

# Consolidated Balance Sheet

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries  
March 31, 2022

<i>Assets</i>	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
<b>Current assets:</b>			
Cash and bank deposits (Notes 17 and 18)	¥11,227	¥ 7,047	\$ 91,738
Notes and accounts receivable, trade (Note 18)	—	23,388	—
Notes receivable, trade (Note 18)	2,735	—	22,354
Electronically recorded monetary claims (Note 18)	1,102	1,346	9,011
Accounts receivable, trade (Note 18)	11,537	—	94,272
Contract assets	3,768	—	30,790
Finished goods	770	829	6,296
Work in process	1,791	1,688	14,636
Raw materials and supplies	757	791	6,190
Other assets	1,614	1,611	13,190
Allowance for doubtful accounts	(5)	(13)	(43)
<b>Total current assets</b>	<b>35,301</b>	<b>36,690</b>	<b>288,437</b>
<b>Property, plant and equipment</b> (Notes 6 and 7):			
Buildings and structures, net	2,560	2,449	20,923
Machinery, equipment and vehicles, net	570	663	4,661
Land	1,426	1,426	11,651
Other, net	412	248	3,371
<b>Total property, plant and equipment</b>	<b>4,969</b>	<b>4,786</b>	<b>40,607</b>
<b>Intangible assets</b>	<b>421</b>	<b>309</b>	<b>3,443</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 7, 8, 18 and 19)	8,372	8,666	68,408
Deferred tax assets (Note 22)	1,026	1,220	8,383
Other assets	453	225	3,708
Allowance for doubtful accounts	(24)	(60)	(202)
<b>Total investments and other assets</b>	<b>9,827</b>	<b>10,051</b>	<b>80,298</b>
<b>Total assets</b>	<b>¥50,521</b>	<b>¥51,837</b>	<b>\$412,788</b>

See accompanying "Notes to Consolidated Financial Statements."

<b>Liabilities and Net Assets</b>	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
<b>Current liabilities:</b>			
Notes and accounts payable, trade (Note 18)	¥ 5,607	¥ 9,787	\$ 45,812
Electronically recorded obligations (Note 18)	3,723	2,079	30,424
Current portion of long-term debt (Notes 7 and 18)	1,000	200	8,170
Accrued income taxes	661	1,046	5,408
Advances received	—	1,072	—
Contract liabilities	1,066	—	8,710
Accrued bonuses	865	736	7,070
Accrued bonuses to directors	14	17	117
Provision for warranties on completed construction	1,140	1,168	9,318
Provision for losses on construction contracts	132	196	1,085
Other current liabilities	1,239	1,465	10,126
<b>Total current liabilities</b>	<b>15,451</b>	<b>17,771</b>	<b>126,244</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 18)	2,300	3,100	18,792
Provision for executive compensation BIP Trust	89	94	732
Liability for retirement benefits (Note 21)	5,030	5,430	41,103
Other long-term liabilities	342	154	2,798
<b>Total long-term liabilities</b>	<b>7,762</b>	<b>8,779</b>	<b>63,426</b>
<b>Total liabilities</b>	<b>23,213</b>	<b>26,550</b>	<b>189,671</b>
<b>Shareholders' equity:</b>			
Common stock	3,956	3,956	32,330
Capital surplus	4,203	4,200	34,346
Retained earnings	17,059	15,052	139,387
Treasury stock	(553)	(591)	(4,520)
<b>Total shareholders' equity</b>	<b>24,666</b>	<b>22,618</b>	<b>201,543</b>
<b>Accumulated other comprehensive income:</b>			
Unrealized gain on available-for-sale securities	3,847	3,899	31,432
Deferred gain (loss) on hedges	7	5	64
Foreign currency translation adjustments	(293)	(241)	(2,397)
Accumulated remeasurements of defined benefit plans (Note 21)	(921)	(1,064)	(7,526)
<b>Total accumulated other comprehensive income</b>	<b>2,640</b>	<b>2,598</b>	<b>21,573</b>
<b>Non-controlling interests</b>	<b>—</b>	<b>69</b>	<b>—</b>
<b>Total net assets (Note 16)</b>	<b>27,307</b>	<b>25,286</b>	<b>223,116</b>
<b>Total liabilities and net assets</b>	<b>¥50,521</b>	<b>¥51,837</b>	<b>\$412,788</b>

# Consolidated Statement of Operations

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries  
Fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
<b>Net sales</b>	<b>¥45,438</b>	<b>¥48,753</b>	<b>\$371,262</b>
<b>Cost of sales</b> (Notes 11 and 12)	<b>37,123</b>	<b>40,734</b>	<b>303,318</b>
<b>Gross profit</b>	<b>8,315</b>	<b>8,019</b>	<b>67,944</b>
<b>Selling, general and administrative expenses</b> (Note 10)	<b>5,545</b>	<b>5,274</b>	<b>45,306</b>
<b>Operating income</b>	<b>2,770</b>	<b>2,745</b>	<b>22,637</b>
<b>Non-operating income:</b>			
Interest income	1	1	9
Dividends	267	281	2,183
Gain on foreign exchange	241	44	1,975
Gain on receipt of donated non-current assets	66	—	544
Other	40	6	328
<b>Non-operating expenses:</b>			
Interest expense	31	37	256
Commission paid	31	51	261
Loss on disposal of non-current assets	41	16	335
Litigation expenses	25	24	212
Other	27	9	220
<b>Ordinary income</b>	<b>3,230</b>	<b>2,939</b>	<b>26,391</b>
<b>Extraordinary income:</b>			
Gain on sales of investment securities (Note 14)	437	712	3,572
<b>Extraordinary loss:</b>			
Impairment loss (Note 13)	92	69	759
Removal expenses of non-current assets	28	—	235
<b>Income before income taxes and non-controlling interests</b>	<b>3,545</b>	<b>3,581</b>	<b>28,969</b>
<b>Income taxes:</b> (Note 22)			
Current	915	1,229	7,483
Deferred	152	(188)	1,249
<b>Net income</b>	<b>2,476</b>	<b>2,540</b>	<b>20,236</b>
<b>Profit attributable to non-controlling interests</b>	<b>(70)</b>	<b>28</b>	<b>(576)</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 2,547</b>	<b>¥ 2,511</b>	<b>\$ 20,813</b>

See accompanying “Notes to Consolidated Financial Statements.”

# Consolidated Statement of Comprehensive Income

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries  
Fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
<b>Net income</b>	<b>¥2,476</b>	<b>¥2,540</b>	<b>\$20,236</b>
<b>Other comprehensive income</b>			
Unrealized gain (loss) on available-for-sale securities	(52)	1,233	(430)
Deferred gain (loss) on hedges	2	12	21
Foreign currency translation adjustments	(51)	10	(424)
Remeasurements of defined benefit plans	143	691	1,175
<b>Total other comprehensive income</b> (Note 15)	<b>41</b>	<b>1,948</b>	<b>341</b>
<b>Comprehensive income</b>	<b>¥2,518</b>	<b>¥4,489</b>	<b>\$20,578</b>
<b>Total comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent	¥2,588	¥4,461	\$21,149
Comprehensive income attributable to non-controlling interests	¥ (69)	¥ 28	\$ (570)

See accompanying “Notes to Consolidated Financial Statements.”

# Consolidated Statement of Changes in Net Assets

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries  
Fiscal year ended March 31, 2022

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at March 31, 2020</b>	¥3,956	¥4,200	¥13,001	¥(591)	¥20,567	¥2,666	¥ (7)	¥(252)	¥(1,756)	¥ 650	¥41	¥21,259
Changes during the year:												
Dividends of surplus			(461)		(461)					—		(461)
Profit attributable to owners of parent			2,511		2,511					—		2,511
Purchase of treasury stock				(0)	(0)					—		(0)
Net changes in items other than those in shareholders' equity					—	1,233	12	10	691	1,948	28	1,976
Total changes during the year	—	—	2,050	(0)	2,050	1,233	12	10	691	1,948	28	4,027
<b>Balance at March 31, 2021</b>	3,956	4,200	15,052	(591)	22,618	3,899	5	(241)	(1,064)	2,598	69	25,286
Cumulative effects of changes in accounting policies (Note 1)			(2)		(2)					—		(2)
Restated balance	<b>3,956</b>	<b>4,200</b>	<b>15,049</b>	<b>(591)</b>	<b>22,615</b>	<b>3,899</b>	<b>5</b>	<b>(241)</b>	<b>(1,064)</b>	<b>2,598</b>	<b>69</b>	<b>25,283</b>
Changes during the year:												
Dividends of surplus			(537)		(537)					—		(537)
Profit attributable to owners of parent			2,547		2,547					—		2,547
Purchase of treasury stock				(0)	(0)					—		(0)
Disposal of treasury stock		4		38	42					—		42
Transfer from retained earnings to capital surplus		(0)	0		—					—		—
Net changes in items other than those in shareholders' equity					—	(52)	2	(51)	143	41	(69)	(27)
Total changes during the year	—	3	2,009	37	2,051	(52)	2	(51)	143	41	(69)	2,023
<b>Balance at March 31, 2022</b>	<b>¥3,956</b>	<b>¥4,203</b>	<b>¥17,059</b>	<b>¥(553)</b>	<b>¥24,666</b>	<b>¥3,847</b>	<b>¥ 7</b>	<b>¥(293)</b>	<b>¥(921)</b>	<b>¥2,640</b>	<b>—</b>	<b>¥27,307</b>

	Thousands of U.S. dollars (Note 5)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at March 31, 2021</b>	\$32,330	\$34,317	\$122,988	\$ (4,830)	\$184,806	\$31,863	\$42	\$ (1,973)	\$ (8,701)	\$21,231	\$570	\$206,608
Cumulative effects of changes in accounting policies (Note 1)			(24)		(24)					—		(24)
Restated balance	<b>32,330</b>	<b>34,317</b>	<b>122,964</b>	<b>(4,830)</b>	<b>184,782</b>	<b>31,863</b>	<b>42</b>	<b>(1,973)</b>	<b>(8,701)</b>	<b>21,231</b>	<b>570</b>	<b>206,584</b>
Changes during the year:												
Dividends of surplus			(4,395)		(4,395)					—		(4,395)
Profit attributable to owners of parent			20,813		20,813					—		20,813
Purchase of treasury stock				(2)	(2)					—		(2)
Disposal of treasury stock		33		311	345					—		345
Transfer from retained earnings to capital surplus		(4)	4		—					—		—
Net changes in items other than those in shareholders' equity					—	(430)	21	(424)	1,175	341	(570)	(228)
Total changes during the year	—	28	16,422	309	16,760	(430)	21	(424)	1,175	341	(570)	16,531
<b>Balance at March 31, 2022</b>	<b>\$32,330</b>	<b>\$34,346</b>	<b>\$139,387</b>	<b>\$ (4,520)</b>	<b>\$201,543</b>	<b>\$31,432</b>	<b>\$64</b>	<b>\$ (2,397)</b>	<b>\$ (7,526)</b>	<b>\$21,573</b>	<b>\$ —</b>	<b>\$223,116</b>

See accompanying "Notes to Consolidated Financial Statements."

# Consolidated Statement of Cash Flows

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries  
Fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
<b>Cash flows from operating activities</b>			
Income before income taxes and non-controlling interests	¥ 3,545	¥3,581	\$28,969
Depreciation and amortization	593	575	4,849
Impairment loss	92	69	759
Loss on valuation of inventories	(44)	(114)	(363)
Increase (decrease) in allowance for doubtful accounts	(44)	(0)	(362)
Increase (decrease) in accrued bonuses	128	(11)	1,048
Increase (decrease) in accrued bonuses to directors	(2)	(6)	(23)
Increase (decrease) in provision for warranties on completed construction	(27)	331	(228)
Increase (decrease) in provision for losses on construction contracts	(64)	(18)	(522)
Increase (decrease) in provision for disposal of PCB	—	(2)	—
Increase (decrease) in provision for executive compensation BIP Trust	(4)	45	(35)
Increase (decrease) in liability for retirement benefits	(192)	(344)	(1,575)
Interest and dividends income	(268)	(283)	(2,192)
Interest expense	31	37	256
Loss (gain) on sales of investment securities	(437)	(712)	(3,572)
Foreign exchange losses (gains)	(182)	(9)	(1,490)
Decrease (increase) in notes and accounts receivable, trade	5,585	(4,979)	45,639
Decrease (increase) in inventories	51	353	422
Decrease (increase) in advance payments	(13)	(280)	(106)
Increase (decrease) in notes and accounts payable, trade	(2,540)	1,107	(20,756)
Increase (decrease) in advances received	—	(1,004)	—
Increase (decrease) in contract liabilities	(16)	—	(135)
Other, net	(27)	(348)	(225)
Subtotal	6,162	(2,013)	50,352
Interest and dividends received	268	283	2,192
Interest paid	(31)	(38)	(256)
Income taxes paid	(1,276)	(826)	(10,429)
Net cash provided by (used in) operating activities	5,123	(2,594)	41,859
<b>Cash flows from investing activities</b>			
Proceeds from sales of property, plant and equipment	0	0	3
Purchases of property, plant and equipment and intangible assets	(944)	(475)	(7,719)
Proceeds from sales of investment securities	682	1,316	5,574
Purchases of investment securities	(29)	(9)	(244)
Payment for long-term loans receivable	—	(0)	—
Collection of long-term loans receivable	4	4	40
Other, net	(271)	(5)	(2,220)
Net cash provided by (used in) investing activities	(558)	831	(4,566)
<b>Cash flows from financing activities</b>			
Proceeds from long-term loans payable	200	1,600	1,634
Repayments of long-term loans payable	(200)	(1,600)	(1,634)
Repayments of lease obligations	(16)	(16)	(131)
Cash dividends paid	(537)	(461)	(4,395)
Purchase of treasury stock	(0)	(0)	(2)
Proceeds from sales of treasury stock	42	—	345
Net cash provided by (used in) financing activities	(512)	(477)	(4,184)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	127	25	1,044
<b>Increase (decrease) in cash and cash equivalents</b>	4,179	(2,215)	34,152
<b>Cash and cash equivalents at beginning of the year</b>	7,046	9,262	57,578
<b>Cash and cash equivalents at end of the year (Note 17)</b>	¥11,226	¥7,046	\$91,730

See accompanying “Notes to Consolidated Financial Statements.”



# Notes to Consolidated Financial Statements

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

## 1. Summary of Significant Accounting Policies

### (a) Basis of presentation

Mitsubishi Kakoki Kaisha, Ltd. (the "Company") and its consolidated subsidiaries (the "Group") maintain their books of account in conformity with the financial accounting standards of Japan.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Figures are rounded down to the nearest million yen and the nearest thousand dollars.

### (b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly by the Company. All significant intercompany balances and transactions have been eliminated in consolidation. As of March 31, 2022, the number of consolidated subsidiaries was 4 (4 in 2021).

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or loss. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Consolidated subsidiaries, MKK Asia Co., Ltd. and MKK Europe B.V. are consolidated using their financial statements as of their fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

### (c) Securities

#### 1) Held to maturity bonds

Stated at cost

#### 2) Other securities

Items other than shares, etc. that do not have a market price  
Stated at fair value (Unrealized gains/losses on these securities are included in net assets, net of applicable income taxes and costs of the securities are determined by the period average method).

Shares, etc. that do not have a market price

Stated at cost determined by the period average method

### (d) Derivatives

Derivatives are stated at fair value.

### (e) Inventories

Finished goods, raw materials and supplies are valued at cost, determined by the moving-average method. Work in process is valued at cost determined by the specific identification method. The book value is written down based on any decline in profitability.

### (f) Depreciation and amortization

Property, plant and equipment (excluding leased assets) are depreciated by the declining-balance method. However, buildings (excluding attached facilities) acquired on and after April 1, 1998 and attached facilities and other non-building structures acquired on and after April 1, 2016 are depreciated by the straight-line method.

Principal estimated useful lives are presented as follows:

Buildings and structures	31 to 50 years
Machinery, equipment and vehicles	4 to 9 years

Intangible assets are amortized by the straight-line method. Internal-use software is amortized over the useful life of 5 years.

Leased assets are depreciated by the straight-line method, in which the lease term is used as the useful lives with a residual value of zero.

### (g) Allowance for doubtful accounts

Provision is made for doubtful accounts in preparation for possible losses on accounts receivable and loans based on historical default rates. Regarding receivables whose recoverability is deemed doubtful, additional provision is made in the expected uncollectible amounts, considering the specific circumstances.

### (h) Accrued bonuses

Accrued bonuses are provided for the future payment of employees' bonuses in the amount attributable to the fiscal year.

### (i) Accrued bonuses to directors

Accrued directors' bonuses are provided for the future payment of directors' bonuses.

### (j) Provision for warranties on completed construction

Provision for warranties on completed construction is provided for future estimated repair costs which may be required for completed construction after delivery of plants, estimated based on past experience over the latest two years.

### (k) Provision for losses on construction contracts

Provision for losses on construction contracts is provided based on an estimate of the total losses which can be anticipated in respect of construction projects on which are expected to generate losses and losses can reasonably be estimated.

### (l) Provision for executive compensation BIP Trust

This provision is calculated based on the estimated amount of shares to be paid, corresponding to the number of points allocated to executives in accordance with the stock issuance provisions, in preparation for the future payment of the Company's shares to executives.

### (m) Accounting method for retirement benefits

#### 1) Periodic allocation method for projected retirement benefits

In the calculation of the retirement benefit obligation, projected retirement benefits are allocated to the period up to the end of the fiscal year according to the straight-line standard.

#### 2) Amortization method for actuarial gain or loss and past service cost

Past service cost is amortized by the straight-line method over 13 years, which is the average of the remaining years of service of employees at the time of its recognition.

Actuarial gain or loss is amortized proportionately by the straight-line method over 11 to 13 years, which is the average of the remaining years of service of employees at the time of its recognition in the fiscal year following the fiscal year in which the gain or loss is recognized.

### (n) Methods for recognizing revenue and expenses

With regard to revenue from contracts with customers, details of the main performance obligations in the Company's major businesses, and the timing at which the Company typically satisfies these performance obligations are as follows.

#### 1) Sales of goods

In sales of goods, including the sale of various machinery products, etc. in the Machinery Business, as performance obligations are determined to have been satisfied when such products, etc. are delivered to the customer and the control of the goods is

transferred to the customer, the Company recognizes revenue at the time of delivery of such products, etc.

## 2) Construction contracts

Primarily in construction contracts related to plants and the construction and engineering of environmental facilities in the Engineering Business, as construction is conducted throughout the contract period, with the control of goods or services being transferred over that period, and performance obligations are determined to have been satisfied over time, the Company recognizes revenue over time, based on progress toward complete satisfaction of a performance obligation.

However, for construction contracts with extremely short satisfaction periods, the Company recognizes revenue at the time when the performance obligation of the construction contract has been completely satisfied.

Revenue is measured at the amount that is expected to be received upon the exchange of the goods or services promised in the contract with customers. The progress of satisfaction of performance obligations used in the measurement of revenue recognized over time is calculated as the proportion of the actual cost incurred by the end of the fiscal year against the estimated total cost of construction, based on the cost based input method.

Consideration for certain construction contracts is received, separately from the satisfaction of performance obligations, at the time of the conclusion of the contract or in stages during the contract period. However, consideration from other transactions is generally received within one year from satisfaction of the performance obligations, and the amount of consideration contains no significant financing component. In addition, there is no significant variable consideration.

In transactions in which the Company and its consolidated subsidiaries act as the principal, the Company recognizes the gross amount of consideration to be received from customers as revenue, while in certain transactions in the Machinery Business where the Company and its consolidated subsidiaries act as the agent in the sales to customers, the Company recognizes revenue at the net amount after deducting the amount to be paid to third parties from such gross amount.

## (o) Standard for converting important foreign currency assets and liabilities into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments in the consolidated financial statements.

## (p) Hedge accounting

Forward foreign exchange contracts which meet certain criteria are accounted for by the "Allocation method" which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract is executed under "Special accounting treatment."

Hedging instruments and hedged items are as follows:

Foreign exchange forward contracts for imports and exports

Interest rate swaps for interest on borrowings

Hedging policies:

Derivative transactions are strictly limited to transactions backed by actual demand, aiming to mitigate currency fluctuations risks on transactions for imports and exports as well as interest rate fluctuation risks on future interest payments.

Hedge effectiveness evaluation method:

Evaluation of hedge effectiveness is not carried out for interest rate swaps as the special accounting treatment is used. Hedge effectiveness of foreign exchange forward contracts is not evaluated as the substantial terms and conditions of the hedging instruments and hedged items are the same.

## (q) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

## (r) Significant Accounting Estimates

(1) Estimation of the progress of satisfaction of performance obligations used in the measurement of revenue recognized over time

1) The amount recorded in the consolidated financial statements for the fiscal year

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net sales (revenue recognized over time)	<b>¥28,604</b>	¥15,666	<b>\$233,716</b>

2) Other information that helps users of consolidated financial statements to better understand the details of accounting estimates  
In the revenue recognition related to construction contracts, the Company and its consolidated subsidiaries recognize revenue over time, according to the progress of satisfaction of performance obligations, as the performance obligations are determined to have been satisfied over time.

The progress of satisfaction of performance obligations used in the measurement of revenue recognized over time is calculated as the proportion of the actual cost incurred by the end of the fiscal year against the estimated total cost of construction, based on the cost-based input method.

Since construction work is highly specific in nature and completed based on instructions from customers, it is difficult to develop a uniform standard for calculating the total estimated cost. Therefore, estimates require certain assumptions and judgments to be made by the construction manager who has knowledge and experience of construction work. In addition, since construction is generally undertaken over long term periods and the estimated total cost of construction up to completion may be affected by factors such as additional expenses for various construction works and changes in specification along with the progress of the construction work, the estimates and assumptions are reviewed on an ongoing basis.

The Company and its consolidated subsidiaries have firmly established a system for continuously verifying and evaluating the appropriateness of the estimated total cost of construction, based on a report on the status of individual construction work prepared each month (project status report). Accordingly, the Company and its consolidated subsidiaries believe that net sales are recognized adequately based on the appropriate progress of

satisfaction of performance obligations. However, if reviews and adjustments to the estimated total cost of construction become necessary due to unexpected reasons, the amount of net sales to be recognized in the consolidated financial statements for the next fiscal year may be affected.

(2) Measurement of provision for warranties on completed construction

- 1) The amount recorded in the consolidated financial statements for the fiscal year

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Provision for warranties on completed construction	<b>¥1,140</b>	¥1,168	<b>\$9,318</b>

- 2) Other information that helps users of consolidated financial statements to better understand the details of accounting estimates  
In order to be prepared for potential expenditures for follow up construction work under warranties to be carried out after the delivery of a construction project, the Company and its consolidated subsidiaries recognize a provision for warranties on completed construction at an expected amount of expenditure for follow up construction work under warranties, as determined by the average rate of actual occurrence of follow up construction work under warranties against net sales of the latest two years, adding necessary adjustments for future estimated repair costs, etc.

Since the estimated total cost of the follow up construction work under warranties as the basis for estimating the expected expenditure for future estimated repairs, etc., is likely to be affected by additional expenses for various construction works along with the progress of the construction work, the estimates and assumptions are reviewed on an ongoing basis.

The Company and its consolidated subsidiaries have firmly established a system for appropriately verifying and evaluating the handling of follow up construction work under warranties, as well as the expected expenses at the Steering Committee the Company holds on a monthly basis. Accordingly, the Company and its consolidated subsidiaries believe that the provision for warranties on completed construction is recognized based on an appropriate estimated total cost of construction. However, if reviews and adjustments to the estimated total cost of construction become necessary due to unexpected reasons, the amount of provision for warranties on completed construction to be recognized in the consolidated financial statements for the next fiscal year may be affected.

(3) Measurement of provision for losses on construction contracts

- 1) The amount recorded in the consolidated financial statements for the fiscal year

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Provision for losses on construction contracts	<b>¥132</b>	¥196	<b>\$1,085</b>

- 2) Other information that helps users of consolidated financial statements to better understand the details of accounting estimates  
In order to be prepared for the potential loss associated with a construction project undelivered at the end of the fiscal year, which is likely to generate a reasonably determinable loss due to the estimated total cost of construction exceeding the contract amount, the Company and its consolidated subsidiaries recognize a provision for losses on construction contracts at the amount of loss expected to be incurred in the next fiscal year and thereafter.

Since the estimated total cost of construction up to completion may be affected by factors such as additional expenses for various construction works and changes in specifications along with the progress of construction work, the estimates and assumptions are reviewed on an ongoing basis.

The Company and its consolidated subsidiaries have firmly established a system for continuously verifying and evaluating the appropriateness of the estimated total cost of construction, based on a report on the status of individual construction work prepared each month (project status report). Accordingly, the Company and its consolidated subsidiaries believe that provision for losses on construction contracts is recognized based on the appropriate estimated total cost of construction. However, if reviews and adjustments to the estimated total cost of construction become necessary due to unexpected reasons, the amount of provision for losses on construction contracts to be recognized in the consolidated financial statements for the next fiscal year may be affected.

## 2. Changes in Accounting Policies

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter the “Revenue Recognition Standard”), etc. from the beginning of the fiscal year ended March 31, 2022, whereby the Company recognizes revenue when the control of promised goods or services is transferred to a customer at an amount it expects to receive in return for the delivery of such goods or services. Major changes regarding revenue recognition due to this application are as described below.

(1) Revenue recognition related to construction contracts

The Company previously applied the percentage of completion method to construction contracts whose outcomes were deemed certain with respect to progress, while applying the completed contract method to other construction contracts. However, the Company has changed its method so that for performance obligations that are satisfied over time, revenue is recognized over time based on progress toward complete satisfaction of a performance obligation, while for construction contracts with extremely short satisfaction periods, revenue is recognized at the time when the performance obligation of the construction contract has been completely satisfied.

(2) Revenue recognition related to sales of goods

In transactions where the Company and its consolidated subsidiaries act as the agent in sales to customers, the Company previously recognized the gross amount of consideration to be received from customers as revenue. However, the Company has changed its method so that revenue is recognized at the net amount after deducting the amount to be paid to third parties from the gross amount of such consideration.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year ended March 31, 2022, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized

prior to the beginning of the fiscal year ended March 31, 2022 in accordance with the previous treatment.

As a result, the impact on the consolidated financial statements for the fiscal year ended March 31, 2022 was minimal.

Due to the application of the Revenue Recognition Standard, etc., “Notes and accounts receivable, trade,” which was presented under “Current assets” in the consolidated balance sheet of the previous fiscal year has been included under “Notes receivable, trade,” “Accounts receivable, trade,” and “Contract assets” from the current fiscal year, and “Advances received,” which was presented under “Current liabilities,” has been included under “Contract liabilities” under “Current liabilities” from the current fiscal year. However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on “Revenue Recognition” for the previous fiscal year are not stated.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Standard”), etc. from the beginning of the fiscal year ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements for the fiscal year ended March 31, 2022.

In addition, the Company has included notes on matters regarding the breakdown of financial instruments by each fair value level in the notes on “Financial Instruments.” However, in accordance with the transitional treatment set forth in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous fiscal year are not stated.

### 3. Changes in Presentation

(Consolidated statement of operations)

“Loss on disposal of non current assets” included in “Other” under “Non operating expenses” for the previous fiscal year has been separately presented from the fiscal year ended March 31, 2022, as it exceeded 10% of total non operating expenses. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in the presentation method. As a result, ¥25 million (\$211 thousand) presented in “Other” under “Non operating expenses” in the consolidated statement of operations for the previous fiscal year has been reclassified as “Loss on disposal of non current assets” of ¥16 million (\$137 thousand) and “Other” of ¥9 million (\$74 thousand).

(Consolidated statement of cash flows)

“Foreign exchange losses (gains)” included in “Other, net” under “Cash flows from operating activities” for the previous fiscal year has been separately presented from the fiscal year ended March 31, 2022, as the amount became significant. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in the presentation method. As a result, ¥358 million (\$2,926 thousand) presented in “Other, net” under

“Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified as “Foreign exchange losses (gains)” of ¥9 million (\$75 thousand) and “Other, net” of ¥348 million (\$2,850 thousand).

### 4. Additional Information

(Impact of COVID-19 on accounting estimates)

Due to the spread of COVID-19, there are delayed work processes and postponements in work schedules in some areas, caused by restrictions on movement of people and logistic bottlenecks. For the current fiscal year, accounting estimates such as evaluation of property, plant and equipment and deferred tax assets have been made, based on the assumption that the impact of COVID-19 will continue for some time into the next fiscal year. However, COVID-19 may have an impact on the financial results of the Group for the next fiscal year and thereafter, due to factors such as the prolonged period for containing the spread of infections.

### 5. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in Japanese yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥122.39=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2022. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

### 6. Accumulated Depreciation

Accumulated depreciation of property, plant and equipment as of March 31, 2022 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accumulated depreciation	<b>¥12,132</b>	¥11,927	<b>\$99,133</b>

### 7. Long-Term Debt

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

	Millions of yen		Thousands of U.S. dollars
As of March 31	2022	2021	2022
Debt with collateral	<b>¥ 500</b>	¥ 500	<b>\$ 4,085</b>
Debt without collateral	<b>2,800</b>	2,800	<b>22,877</b>
	<b>¥3,300</b>	¥3,300	<b>\$26,962</b>

Note: The weighted-average interest rate on long-term borrowings was 0.9%.

The assets pledged as collateral for long-term debt at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2022	2021	2022
Property, plant and equipment	<b>¥1,259</b>	¥1,362	<b>\$10,294</b>
Investment securities	<b>6,629</b>	6,599	<b>54,164</b>
	<b>¥7,889</b>	¥7,961	<b>\$64,459</b>



## 8. Investment Securities of Non-consolidated Subsidiaries and Affiliates

Investment securities of non-consolidated subsidiaries and affiliates are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment securities (shares of or capital contributions to non-consolidated subsidiaries and affiliates)	¥178	¥178	\$1,454

## 9. Overdraft and Commitments

The Company has concluded overdraft agreements and loan commitment line agreements with seven banks in order to ensure efficient procurement of operating funds. The balances of unused commitment under these agreements as of March 31, 2022 and 2021 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total overdrafts and loan commitment lines	¥5,300	¥5,300	\$43,304
Amount utilized	—	—	—
Balance available	¥5,300	¥5,300	\$43,304

## 10. Selling, General and Administrative Expenses

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Sales commissions	¥ 158	¥ 170	\$1,299
Estimated design expenses	1,027	826	8,398
Advertising expenses	52	35	431
Bad debts loss	1	—	8
Provision of allowance for doubtful accounts	26	—	220
Directors' compensations	340	348	2,783
Provision for Management Board Incentive Plan Trust	37	45	309
Employees' salaries and allowances	1,403	1,321	11,467
Provision of accrued bonuses	209	181	1,714
Provision of accrued bonuses to directors	13	17	110
Retirement benefit expenses	126	150	1,036
Traveling and transportation expenses	118	97	970
Rent expenses	204	161	1,667
Depreciation	106	97	873
Research and development costs	230	362	1,887
Other	1,484	1,457	12,129
Total selling, general and administrative expenses	¥5,545	¥5,274	\$45,306

## 11. Provision for Losses on Construction Contracts Included in Cost of Sales

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	¥(64)	¥(18)	\$(522)

## 12. Loss on Valuation of Inventories Included in Cost of Sales

The carrying value of inventories was written down due to a deterioration in profitability. The following loss on valuation of inventories was included in cost of sales for the years ended March 31, 2022 and 2021.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	¥(44)	¥(114)	\$(363)

## 13. Impairment Loss

In the fiscal year ended March 31, 2022, the MKK Group recorded an impairment loss on the asset group shown below.

Location	Name	Use	Type
Yokkaichi, Mie Pref.	Yokkaichi works	Machinery business	Property, plant and equipment

The Company has resolved to terminate the plant function of the Yokkaichi Works (Yokkaichi, Mie) and to rebuild the warehouse and administrative wing within the Works. Accordingly, the book value of non-current assets with no prospective use has been reduced to the recoverable amount, and the amount of reduction is recorded as "impairment loss" (¥92 million, \$759 thousand).

The recoverable amount is measured at its value in use, which is calculated at an amount equivalent to the depreciation up to the scheduled date of relocation to the new warehouse and administrative wing. In the fiscal year ended March 31, 2021, the MKK Group recorded an impairment loss on the asset group shown below.

Location	Name	Use	Type
Kawasaki, Kanagawa Pref.	Head office, sales office	Shared assets	Property, plant and equipment and intangible assets

The Company has resolved to relocate its Sales Office (Kawasaki, Kanagawa). Accordingly, the book value of non-current assets with no prospective use has been reduced to the recoverable amount, and the amount of reduction is recorded as "impairment loss" (¥69 million, \$569 thousand).

The recoverable amount is measured at its value in use, which is calculated at an amount equivalent to the depreciation up to the scheduled date of relocation.

## 14. Gain on Sales of Investment Securities

Details of the gain on sales of investment securities are as follows.

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Other securities	¥437	¥712	\$3,572

## 15. Consolidated Statement of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Reclassification adjustment and tax effect on other comprehensive income			
Unrealized gain (loss) on available-for-sale securities:			
Amount accrued during the year	¥361	¥2,486	\$2,956
Amount due to reclassification adjustment	(437)	(712)	(3,572)
Before adjustment for tax effect	(75)	1,774	(615)
Amount of tax effect	22	(541)	185
Unrealized gain (loss) on available-for-sale securities	(52)	1,233	(430)

Deferred gain (loss) on hedges:			
Amount accrued during the year	3	18	30
Amount due to reclassification adjustment	—	—	—
Before adjustment for tax effect	3	18	30
Amount of tax effect	(1)	(5)	(9)
Deferred gain (loss) on hedges	2	12	21
Foreign currency translation adjustments:			
Amount accrued during the year	(51)	10	(424)
Remeasurements of defined benefit plans:			
Amount accrued during the year	(3)	712	(32)
Amount due to reclassification adjustment	211	284	1,724
Before adjustment for tax effect	207	996	1,692
Amount of tax effect	(63)	(304)	(517)
Remeasurements of defined benefit plans	143	691	1,175
Total other comprehensive income	¥ 41	¥1,948	\$ 341

## 16. Net Assets

Information regarding changes in net assets for the years ended March 31, 2022 and 2021 is as follows:

### (1) Shares issued and outstanding / Treasury stock

For the year ended March 31, 2022

Types of shares	Thousands of shares		
	Number of shares at March 31, 2021	Increase	Decrease
Shares issued:			
Common stock	7,913	—	—

### (2) Dividends

#### 1) Dividends paid

For the year ended March 31, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2021	<b>Common stock</b>	<b>¥537</b>	<b>\$4,395</b>	<b>Retained earnings</b>	<b>¥70.0</b>	<b>\$0.57</b>	<b>March 31, 2021</b>	<b>June 30, 2021</b>

Note: In accordance with a resolution passed at the annual general meeting of shareholders on June 29, 2021, total dividends include ¥6 million (\$55 thousand) in dividends on the Company's shares held by the executive compensation BIP Trust.

#### 2) Dividends paid with the cut-off date in the year ended March 31, 2022 and the effective date in the year ending March 31, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	<b>Common stock</b>	<b>¥537</b>	<b>\$4,395</b>	<b>Retained earnings</b>	<b>¥70.0</b>	<b>\$0.57</b>	<b>March 31, 2022</b>	<b>June 30, 2022</b>

Note: In accordance with a resolution passed at the annual general meeting of shareholders on June 29, 2022, total dividends include ¥5 million (\$44 thousand) in dividends on the Company's shares held by the executive compensation BIP Trust.

### (3) Shareholder's equity

The Corporation Act of Japan (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be transferred to the capital reserve and the legal reserve, respectively until the sum of the

Treasury stock:

Common stock (Note)	325	0	19	306
---------------------	-----	---	----	-----

Notes:

1. The increase in common shares of treasury stock was due to the acquisition of 124 shares of less than one trading unit.
2. The decrease of 19,379 shares of treasury stock was due to the delivery and sale of the Company's shares through the executive compensation BIP Trust.
3. The number of common shares of treasury stock includes the Company's shares held by the executive compensation BIP Trust (96,508 shares as of the beginning of the fiscal year and 77,129 shares as of the end of the fiscal year).

For the year ended March 31, 2021

Types of shares	Thousands of shares		
	Number of shares at March 31, 2020	Increase	Decrease
Shares issued:			
Common stock	7,913	—	—
Treasury stock:			
Common stock (Note)	325	0	—

Notes:

1. The increase in common shares of treasury stock was due to the acquisition of 37 shares of less than one trading unit.
2. The number of common shares of treasury stock includes the Company's shares held by the executive compensation BIP Trust (96,508 shares as of the beginning of the fiscal year and 96,508 shares as of the end of the fiscal year).

capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

## 17. Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2022 and 2021 are reconciled to the accounts reported in the consolidated balance sheet as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and bank deposits	¥11,227	¥7,047	\$91,738
Time deposits with maturities of more than three months	(1)	(1)	(8)
Cash and cash equivalents	¥11,226	¥7,046	\$91,730

## 18. Financial Instruments

### (1) Overview

#### 1) Policies for financial instruments

The Mitsubishi Kakoki Group manages surplus funds through short-term deposits. The Group relies on borrowings from banks and other financial institutions for fund procurement. The Group uses derivative transactions for the purpose of mitigating the risks of interest rate fluctuations and currency fluctuations and does not enter into derivative transactions for speculative purposes.

#### 2) Types of financial instruments and related risks

As trade receivables, notes and accounts receivable and electronically recorded monetary claims are exposed to credit risks of customers.

Shares classified as investment securities are principally the shares of companies with which the Company has business relationships, and are subject to the risk of market fluctuations.

Notes and accounts payable and electronically recorded obligations, which are trade payables of the Group, have payment due dates within one year.

Trade receivables and payables denominated in foreign currencies are subject to the risk of fluctuations in exchange rates.

Borrowings consist mainly of funds procured as its working capital. The Company has signed a loan commitment agreement with six banks and an overdraft agreement with one bank for procuring working capital efficiently in the form of short-term borrowings. Borrowings with variable interest rates are exposed to the risks of interest rate fluctuations. The trade payables and loans payable mentioned above are subject to liquidity risk.

#### 3) Risk management for financial instruments

##### a) Management of credit risk (risk of contractual default or similar by business partners)

The Group applies due date management and outstanding balance management on an individual contract/order basis. Also, in accordance with the Group's credit management regulations, the Group protects against credit risk by investigating the creditworthiness of customers, both on the occasion of initial transactions with a new customer and in relation to continuous transactions.

As the Group limits its choice of partners for derivative transactions to financial institutions with high credit ratings, the Group believes that credit risk of derivatives is insignificant.

##### b) Management of market risk (risk of fluctuations in exchange rates, interest rates, etc.)

The Group enters into forward foreign exchange contracts to hedge against the risk of losses on trade receivables and payables denominated in foreign currencies as a result of fluctuations in exchange rates. In addition, for certain long-term borrowings (loans payable), the Company uses interest-rate swaps to hedge against the risk of fluctuations in interest rates by locking-in the

interest expenses. For investment securities, the Group conducts regular assessments of their market value.

In conducting and managing derivative transactions, in accordance with the internal regulations specifying the authority to conduct such transactions, the head of the unit responsible for handling such transactions must first obtain approval from the officer responsible for handling settlements.

##### c) Liquidity risk (risk of inability to make payment on the due date)

The Group makes provisions against liquidity risk by various means, including ensuring that all Group companies prepare cash flow plans on a monthly basis.

### 4) Supplemental explanation of the estimated fair value of financial instruments

The notional amounts of derivatives in Note 20 are not necessarily indicative of the actual market risk involved in derivative transactions.

#### (2) Estimated fair value of financial instruments

The carrying value of financial instruments, acquisition cost, and unrealized gain (loss) are as presented below.

As of March 31, 2022	Millions of yen		
	Carrying value	Fair value	Difference
(1) Investment securities			
Held-to-maturity securities	¥ 20	¥ 19	¥(0)
Other securities	8,150	8,150	—
Total assets	8,170	8,170	(0)
(2) Current portion of long-term debt	1,000	1,000	0
(3) Long-term debt	2,300	2,300	0
Total liabilities	3,300	3,301	1
(4) Derivative transactions	¥ 11	¥ 11	¥ —

As of March 31, 2022	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(1) Investment securities			
Held-to-maturity securities	\$ 163	\$ 163	\$(0)
Other securities	66,595	66,595	—
Total assets	66,758	66,758	(0)
(2) Current portion of long-term debt	8,170	8,178	7
(3) Long-term debt	18,792	18,795	3
Total liabilities	26,962	26,973	10
(4) Derivative transactions	\$ 92	\$ 92	\$ —

As of March 31, 2021	Millions of yen		
	Carrying value	Fair value	Difference
(1) Investment securities	¥8,461	¥8,461	¥ —
Total assets	8,461	8,461	—
(2) Current portion of long-term debt	200	201	1
(3) Long-term debt	3,100	3,107	7

Total liabilities	3,300	3,308	8
(4) Derivative transactions	¥ 7	¥ 7	¥ —

(\*1) Notes for cash have been omitted. Also, notes for deposits, notes receivable, trade, electronically recorded monetary claims, accounts receivable, trade, notes and accounts payable, trade, and electronically recorded obligations have been omitted, as they are settled over the short term, and their fair values approximate their book values.

(\*2) Carrying value of shares, etc. that do not have a market price. Because no market price is available and it is extremely difficult to determine the fair value, these unlisted stocks are not included in “(1) Investment securities.”

	Millions of yen	Thousands of U.S. dollars
	2022	2021
Unlisted stocks	¥201	¥205
	2022	2022

(\*3) The amounts of claims and obligations accrued from derivative transactions are presented on a net basis.

#### (Note 1) Explanation regarding the valuation techniques and inputs used for fair value measurement

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than those classified in Level 1

Level 3 fair value: Fair value measured by material but unobservable inputs

If multiple inputs with significant impact are used in the calculation of fair value, the financial instrument is classified into the lowest priority level in the calculation of fair value in which each input belongs. If multiple inputs are used that are significant to the fair value measurement, such measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

#### (1) Financial instruments stated at fair value in the Consolidated Balance Sheet

	Fair Value (Millions of yen)			
As of March 31, 2022	Level1	Level2	Level3	Total
Investment securities				
Other Securities				
Stock	¥8,150	¥—	¥—	¥8,150
Derivative transaction				
Currency-related	—	11	—	11
Asset total	¥8,150	¥11	¥—	¥8,161

	Fair Value (Thousands of U.S. dollars)			
As of March 31, 2022	Level1	Level2	Level3	Total
Investment securities				
Other Securities				
Stock	\$66,595	\$—	\$—	\$66,595
Derivative transaction				
Currency-related	—	92	—	92
Asset total	\$66,595	\$92	\$—	\$66,687

#### (2) Financial instruments other than those stated at fair value in the Consolidated Balance Sheet

	Fair Value (Millions of yen)			
As of March 31, 2022	Level1	Level2	Level3	Total
Investment securities				
Hold to maturity securities				
Bond	¥—	¥ 19	¥—	¥ 19
Asset total	—	19	—	19
Current portion of long-term debt	—	1,000	—	1,000

Long-term debt	—	2,300	—	2,300
Debt total	¥—	¥3,301	¥—	¥3,301

	Fair Value (Thousands of U.S. dollars)			
As of March 31, 2022	Level1	Level2	Level3	Total
Investment securities				
Hold to maturity securities				
Bond	\$—	\$ 163	\$—	\$ 163
Asset total	—	163	—	163
Current portion of long-term debt	—	8,178	—	8,178
Long-term debt	—	18,795	—	18,795
Debt total	\$—	\$26,973	\$—	\$26,973

Note: A description of the valuation techniques and inputs used in the market value measurements

#### Investment securities

Listed stocks and local government bonds are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1. On the other hand, the fair value of local government bonds held by the Company is classified as Level 2, because they are traded among vendors and are not considered to have quoted prices in active markets.

#### Derivative transactions

The fair values of interest rate swaps and forward foreign exchange contracts are classified into Level 2, as they are calculated based on the prices indicated by financial institutions. Because interest rate swaps subject to the special accounting treatment are accounted for with long-term debt, which is hedged, the fair value is included with that of the long-term debt (see “Long-term debt” below). In addition, forward foreign exchange contracts subject to the allocation treatment are accounted for with accounts payable, trade, which is hedged; hence, their fair value is not included in the fair value of derivative transactions.

#### Long-term debt (including the current portion of long-term debt)

The fair value of long-term debt is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities, and an interest rate reflecting credit risk, and is classified as Level 2. Note that long-term debt with a variable interest rate is subject to the special accounting treatment for interest rate swaps (see “Derivative transactions” above), and hence is measured using the sum of principal and interest that are accounted for with such interest rate swap.

#### (Note 2)

Redemption schedule for monetary claims and securities with maturity dates as of March 31, 2022

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
1 year or less	¥—	\$ —
More than 1 year, but within 5 years	10	81
More than 5 years, but within 10 years	10	81
More than 10 years	—	—
	¥20	\$163

#### (Note 3)

The maturities of long-term debt are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥1,000	\$8,170
2024	500	4,085
2025	—	—
2026	1,600	13,072
2027 and thereafter	200	1,634
	¥3,300	\$26,962

## 19. Securities

### (1) Information regarding securities classified as Held-to-maturity securities

Held-to-maturity securities



	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
As of March 31, 2022			
Securities whose fair value exceeds their carrying value:			
Stock	¥—	¥—	¥—
Securities whose fair value does not exceed their carrying value:			
Stock	20	19	(0)
<b>Total</b>	<b>¥20</b>	<b>¥19</b>	<b>¥(0)</b>
	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
As of March 31, 2022			
Securities whose fair value exceeds their carrying value:			
Stock	\$ —	\$ —	\$—
Securities whose fair value does not exceed their carrying value:			
Stock	163	163	(0)
<b>Total</b>	<b>\$163</b>	<b>\$163</b>	<b>\$ (0)</b>

As of March 31, 2021  
Not applicable.

## (2) Information regarding securities classified as other securities

### Other securities

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
As of March 31, 2022			
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥7,632	¥2,072	¥5,560
Securities whose carrying value does not exceed their acquisition cost:			
Stock	518	573	(55)
<b>Total</b>	<b>¥8,150</b>	<b>¥2,645</b>	<b>¥5,504</b>

Note: Unlisted stocks (carrying value of ¥23 million) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
As of March 31, 2022			
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$62,360	\$16,931	\$45,429
Securities whose carrying value does not exceed their acquisition cost:			
Stock	4,234	4,685	(450)
<b>Total</b>	<b>\$66,595</b>	<b>\$21,616</b>	<b>\$44,978</b>

Note: Unlisted stocks (carrying value of \$195 thousand) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
As of March 31, 2021			
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥7,952	¥2,307	¥5,645
Securities whose carrying value does not exceed their acquisition cost:			
Stock	508	573	(65)
<b>Total</b>	<b>¥8,461</b>	<b>¥2,880</b>	<b>¥5,580</b>

Note: Unlisted stocks (carrying value of ¥27 million) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

## (3) Sales of securities classified as other securities and the aggregate gain for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For the years ended March 31			
Aggregate gain Stock	¥437	¥712	\$3,572
Sales Proceeds	¥682	¥1,316	\$5,574

## 20. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2022 and 2021.

### Derivatives to which hedge accounting is applied Currency-related transactions

	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
As of March 31, 2022				
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts payable				
Buy USD	¥ 6	¥—	¥ 1	¥ 1
Buy SGD	¥211	¥12	¥10	¥10
<b>Total</b>	<b>¥218</b>	<b>¥12</b>	<b>¥11</b>	<b>¥11</b>

Note: Calculation of fair value

Fair value is calculated based on the prices presented by financial institutions.

	Thousands of U.S. dollars			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
As of March 31, 2022				
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts payable				
Buy USD	\$ 53	\$—	\$ 9	\$ 9
Buy SGD	\$1,727	\$99	\$83	\$83
<b>Total</b>	<b>\$1,781</b>	<b>\$99</b>	<b>\$92</b>	<b>\$92</b>

	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
As of March 31, 2021				
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts receivable and payable				
Sell SGD	¥ 49	¥10	¥3	¥3

Buy Euro	46	—	2	2
Buy SGD	¥ 30	¥—	¥1	¥1
Total	¥126	¥10	¥7	¥7

Note: Calculation of fair value

Fair value is calculated based on the prices presented by financial institutions.

### Interest-related transactions

	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
As of March 31, 2022				
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	¥1,000	¥500	¥—	¥—

Note: Because interest rate swaps subject to the special accounting treatment are accounted for with long-term debt, which is hedged, the fair value is included with that of the long-term debt.

	Thousands of U.S. dollars			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
As of March 31, 2022				
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	\$8,170	\$4,085	\$—	\$—

	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
As of March 31, 2021				
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	¥ —	¥1,500	¥—	¥—

Note: Because interest rate swaps subject to the special accounting treatment are accounted for with long-term debt, which is hedged, the fair value is included with that of the long-term debt.

## 21. Retirement Benefit Plans

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

### (1) Summary of the Retirement Benefit Plans Adopted

The Company and its consolidated subsidiaries maintain corporate pension fund plans and lump-sum payment plans as defined benefit plans, and defined contribution pension plans as contribution benefit plans. In addition, there are instances when supplemental severance payments are made at the time of employee retirement.

The savings-type corporate pension fund plans as defined benefit plans provide a lump-sum payment or annuity according to the participation period.

The non-savings-type lump-sum payment plans provide a salary as a retirement benefit and a lump-sum payment according to the service period.

### (2) Defined Benefit Plans

#### 1) The changes in the retirement benefit obligation for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Beginning balance of retirement benefit obligation	¥13,484	¥13,771	\$110,178
Service cost	499	520	4,080
Interest cost	43	22	351
Actuarial gain or loss	(191)	(206)	(1,566)
Payment of retirement benefit	(623)	(610)	(5,094)
Other	12	(12)	101
Ending balance of retirement benefit obligation	¥13,224	¥13,485	\$108,050

#### 2) The changes in plan assets for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Beginning balance of pension plan assets	¥8,054	¥6,998	\$65,806
Expected return on plan assets	281	244	2,303
Realized actuarial gain or loss	(183)	506	(1,497)
Contributions from employer	500	781	4,092
Payment of retirement benefit	(459)	(464)	(3,757)
Other	—	(12)	—
Ending balance of pension plan assets	¥8,193	¥8,054	\$66,947

#### 3) Statement of reconciliation between the funded status of the plans and the amounts recognized in the consolidated balance sheets for the Company's and the consolidated subsidiaries' defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligations	¥8,435	¥8,712	\$68,922
Pension plan assets	(8,193)	(8,054)	(66,947)
	241	658	1,974
Unfunded retirement benefit obligations under the non-savings type	4,788	4,771	39,128
Net liability for retirement benefits in the consolidated balance sheet	5,030	5,430	41,103
Liability for retirement benefits	5,030	5,430	41,103
Net liability for retirement benefits in the consolidated balance sheet	¥5,030	¥5,430	\$41,103

#### 4) Retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥499	¥520	\$4,080
Interest cost	43	22	351
Expected return on plan assets	(281)	(244)	(2,303)
Amortization of actuarial gain or loss	194	267	1,586
Amortization of past service cost	16	16	138
Retirement benefit expenses for the defined benefit plans	¥471	¥582	\$3,853

#### 5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2021 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial gain or loss	¥190	¥979	\$1,554
Past service cost	16	16	138
Total	¥207	¥996	\$1,692

#### 6) Accumulated remeasurements of defined benefit plans

The components of accumulated remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized actuarial gain or loss	¥1,162	¥1,364	\$ 9,496
Unrecognized past service cost	164	181	1,344
Total	¥1,326	¥1,546	\$10,841

#### 7) Items related to pension plan assets

a) The ratio of major categories to the aggregate plan assets is as follows.

	2022	2021
Bond	41.9%	43.4%
Stock	21.1%	20.5%
General account	13.8%	13.0%
Other	23.2%	23.1%
Total	100.0%	100.0%

b) Method of determination of the rate of the long-term expected return on plan assets

In the determination of the rate of the long-term expected return on pension plan assets, the current and expected allocation of pension plan assets is considered in addition to the rate of the current and future expected long-term return on various assets constituting the pension plan assets.

#### 8) Items related to basis of actuarial calculation

Basis of major actuarial calculation as of the end of the fiscal years ended March 31, 2022 and 2021.

	2022	2021
Discount rate	0.2–0.4%	0.1–0.2%

Long-term expected return on plan assets	3.5%	3.5%
Expected rate of salary increase	7.7%	7.7%
Expected rate of election of lump-sum payment	27.0%	27.0%

Note: Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligations.

#### (3) Defined Contribution Pension Plan

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
The amount of contributions required to the defined contribution plans	¥56	¥49	\$463

## 22. Income Taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are realized or settled.

(1) The significant components of deferred tax assets and liabilities at March 31, 2022 and 2021

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets			
Liability for retirement benefits	¥ 1,788	¥ 1,657	\$ 14,614
Accrued expenses	364	415	2,979
Provision for warranties on completed construction	348	357	2,847
Accrued bonuses	263	224	2,153
Asset retirement obligations	94	36	774
Loss carry forward	66	—	539
Accrued business tax	45	66	368
Accrued social insurance premiums for bonuses	43	36	352
Provision for losses on construction contracts	34	60	277
Loss on valuation of inventories	32	45	264
Provision for executive compensation BIP Trust	27	28	224
Loss on devaluation of investment securities	24	24	196
Impairment loss	21	24	177
Equipment for testing and research	15	29	123
Allowance for doubtful accounts	9	22	79
Other	20	50	167
Total	3,133	3,080	25,601
Valuation allowance	(136)	(176)	(1,113)
Offsets deferred tax liabilities	(1,971)	(1,683)	(16,104)
Total	¥ 1,026	¥ 1,220	\$ 8,383

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	(1,657)	(1,680)	(13,546)
Prepaid pension costs	(253)	—	(2,068)
Asset retirement obligations	(56)	(0)	(461)
Other	(3)	(2)	(28)
Total	(1,971)	(1,683)	(16,104)
Set-off against deferred tax assets	1,971	1,683	16,104
Total	—	—	—
Deferred tax assets, net	¥1,026	¥1,220	\$ 8,383

(2) Breakdown of major items that caused the difference where a significant difference existed between the statutory effective tax rate and the burden rate of corporate taxes, etc., after applying tax effect accounting

For the years ended March 31, 2021 and 2022

The reconciliation between the statutory and effective tax rate for the years ended March 31, 2021 and 2022 has been omitted because the difference was less than 5% of statutory tax rate.

## 23. Revenue Recognition

### 1. Disaggregation of revenue from contracts with customers

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

	Millions of yen		Total
	Reportable segments		
	Engineering	Machinery	
By geographical areas			
Japan	¥23,524	¥9,576	¥33,101
Asia	9,688	1,759	11,447
Other	—	889	889
Revenue from contracts with customers	33,212	12,225	45,438
Timing of transfer of goods or services			
At a point in time	6,000	10,833	16,834
Over time (Note)	27,212	1,392	28,604
Revenue from contracts with customers	33,212	12,225	45,438
Other revenue	—	—	—
Net sales to third parties	¥33,212	¥12,225	¥45,438

	Thousands of U.S. dollars		Total
	Reportable segments		
	Engineering	Machinery	
By geographical areas			
Japan	\$192,212	\$78,247	\$270,459
Asia	79,157	14,375	93,532
Other	—	7,269	7,269
Revenue from contracts with customers	271,370	99,892	371,262
Timing of transfer of goods or services			
At a point in time	49,029	88,516	137,546
Over time (Note)	222,340	11,376	233,716

Revenue from contracts with customers	271,370	99,892	371,262
Other revenue	—	—	—
Net sales to third parties	\$271,370	\$99,892	\$371,262

Note: Revenue recognized over time by the Company for the current fiscal year was ¥22,599 million (\$184,648 thousand).

- Basic information for understanding revenue from contracts with customers  
Basic information in understanding revenue is as stated in “1. Summary of Significant Accounting Policies (n) Methods for recognizing revenue and expenses”
- Information on the amount and timing of revenue expected to be recognized in and after the next fiscal year according to relations between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, as well as contracts with customers that exist as of the end of the current fiscal year.

### (1) Balance of contract assets and contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars	
	Balance at April 1, 2021	Balance at March 31, 2022	Balance at April 1, 2021	Balance at March 31, 2022
Receivables from contracts with customers	¥17,667	¥15,376	\$144,350	\$125,637
Contract assets	7,067	3,768	57,748	30,790
Contract liabilities	1,072	1,066	8,766	8,710

Contract assets primarily relate to rights to unclaimed consideration for revenue recognized over time in accordance with the progress of satisfaction of performance obligations under construction contracts.

Once the Company has an unconditional right to consideration it receives, it reclassifies contract assets to receivables from contracts with customers (accounts receivable, notes receivable, and electronically recorded monetary claims).

Contract liabilities primarily relate to advances received from customers under construction contracts. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized for the current fiscal year from performance obligations that were satisfied (or partially satisfied) during previous periods is insignificant.

### (2) Transaction prices allocated to the remaining performance obligations

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Engineering	¥36,026	\$294,356
Machinery	¥ 5,959	\$ 48,690
Total	¥41,985	\$343,047

The total transaction price allocated to the remaining performance obligations at the end of the current fiscal year was ¥41,985 million (¥36,026 million for the Engineering business and ¥5,959 million for the Machinery business). The performance obligations are mainly related to construction contracts, and the Company expects to recognize revenues approximately within two years upon satisfaction of the performance obligations.

There are no significant amounts of consideration from contracts with customers that are not included in the transaction price.

## 24. Segment Information

For the year ended March 31, 2022

### (1) Overview of reportable segments

The reportable segments of the Group are the “Engineering” business and the “Machinery” business for which discrete financial

information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions regarding the allocation of management resources and to assess performance.

Reportable segments constitute business segments classified by products. Business segments handling the same types of products are combined into a single reportable segment.

The “Engineering” business includes: City gas and petroleum-related plants, a variety of chemical engineering plants, hydrogen generation plants, sewage treatment equipment, industrial effluent treatment equipment, diverse water treatment equipment and related products.

The “Machinery” business includes: oil purifiers, a variety of separators and filtration machinery, seawater screening facility, mixers and related products.

## (2) Calculation method for net sales, income or loss, assets and other items by reportable segment

The accounting policies used for reportable business segments are the same as the accounting policies stated in Note 1.

Segment income is measured according to operating income.

As stated in Changes in Accounting Policies, the Company has applied the Revenue Recognition Standard, etc. from the beginning of the current fiscal year, and has changed its accounting method for revenue recognition; therefore, it has similarly changed its method for calculating profits in its business segments.

As a result of this change, net sales in the Engineering business and Machinery business decreased for the current fiscal year compared to the previous method, but the impact of this change is insignificant. The impact on segment income is also insignificant for the Engineering business and none for the Machinery business.

## (3) Information on net sales, income or loss, assets and other items by reportable segment

For the year ended March 31, 2022

	Millions of yen		
	Reportable segments		Total
	Engineering	Machinery	
Net sales			
(1) Sales to third parties	¥33,212	¥12,225	¥45,438
(2) Inter-segment sales and transfers	—	—	—
Total	¥33,212	¥12,225	¥45,438
Segment income (Operating income)	¥ 1,436	¥ 1,334	¥ 2,770
Segment assets	¥17,167	¥12,485	¥29,652
Other items			
Depreciation and amortization	¥ 159	¥ 434	¥ 593
Increase in property, plant and equipment and intangible assets	¥ 563	¥ 454	¥ 1,017

	Thousands of U.S. dollars		
	Reportable segments		Total
	Engineering	Machinery	
Net sales			
(1) Sales to third parties	\$271,370	\$ 99,892	\$371,262
(2) Inter-segment sales and transfers	—	—	—
Total	\$271,370	\$ 99,892	\$371,262
Segment income (Operating income)	\$ 11,737	\$ 10,899	\$ 22,637
Segment assets	\$140,267	\$102,010	\$242,278
Other items			

Depreciation and amortization	\$ 1,299	\$ 3,549	\$ 4,849
Increase in property, plant and equipment and intangible assets	\$ 4,601	\$ 3,712	\$ 8,313

For the year ended March 31, 2021

	Millions of yen		
	Reportable segments		Total
	Engineering	Machinery	
Net sales			
(1) Sales to third parties	¥36,796	¥11,957	¥48,753
(2) Inter-segment sales and transfers	—	—	—
Total	¥36,796	¥11,957	¥48,753
Segment income (Operating income)	¥ 1,877	¥ 867	¥ 2,745
Segment assets	¥22,342	¥12,914	¥35,256
Other items			
Depreciation and amortization	¥ 137	¥ 437	¥ 575
Increase in property, plant and equipment and intangible assets	¥ 179	¥ 345	¥ 524

## (4) Adjustments for segment assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
As of March 31			
Total segment assets	¥29,652	¥35,256	\$242,278
Corporate assets (Note)	20,868	16,581	170,510
Total assets reported on consolidated balance sheets	¥50,521	¥51,837	\$412,788

Note: Corporate assets mainly represent cash and bank deposits, investment securities and other assets not allocable to the reportable segments.

## [Related Information]

### 1. Information by products and services

For the year ended March 31, 2022

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	¥33,212	¥12,225	¥45,438

  

	Thousands of U.S. dollars		
	Engineering	Machinery	Total
Sales to third parties	\$271,370	\$99,892	\$371,262

For the year ended March 31, 2021

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	¥36,796	¥11,957	¥48,753

### 2. Information by geographical areas

#### (1) Net sales

For the year ended March 31, 2022

	Millions of yen		
	Japan	Asia	Other areas
Total	¥33,101	¥11,447	¥889
			¥45,438



Thousands of U.S. dollars			
Japan	Asia	Other areas	Total
<b>\$270,459</b>	<b>\$93,532</b>	<b>\$7,269</b>	<b>\$371,262</b>

For the year ended March 31, 2021

Millions of yen			
Japan	Asia	Other areas	Total
<b>¥41,361</b>	<b>¥6,626</b>	<b>¥766</b>	<b>¥48,753</b>

Note: Net sales data is based on the location of customers and classified into country or region.

## (2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheet.

## 3. Information for major customer

Customer Name	Sales (Millions of yen)	Segment
<b>MGC PURE CHEMICALS TAIWAN INC.</b>	<b>¥6,404</b>	<b>Engineering</b>

Customer Name	Sales (Thousands of U.S. dollars)	Segment
<b>MGC PURE CHEMICALS TAIWAN INC.</b>	<b>\$52,330</b>	<b>Engineering</b>

## 4. Information related to impairment losses on non-current assets for each reportable segment

For the year ended March 31, 2022

Millions of yen					
	Engineering	Machinery	Total	corporate	Total
<b>Impairment</b>	<b>¥ —</b>	<b>¥92</b>	<b>¥92</b>	<b>¥ —</b>	<b>¥92</b>

For the current fiscal year, the Company has resolved to terminate the plant function of the Yokkaichi Works (Yokkaichi, Mie) and to rebuild the warehouse and administrative wing within the Yokkaichi Works. Accordingly, the book value of non-current assets with no prospective use has been reduced to the recoverable amount, and the amount of reduction is recorded as "impairment loss" (¥92 million, \$759 thousand).

Thousands of U.S. dollars					
	Engineering	Machinery	Total	corporate	Total
<b>Impairment</b>	<b>\$ —</b>	<b>\$759</b>	<b>\$759</b>	<b>\$ —</b>	<b>\$759</b>

For the year ended March 31, 2021

Millions of yen					
	Engineering	Machinery	Total	corporate	Total
<b>Impairment</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥69</b>	<b>¥69</b>

Impairment losses on non-current assets of ¥69 million(\$569 thousand) represent assets not allocated to reportable segments.

## 25. Amounts Per Share

	Yen		U.S. dollars
For the years ended March 31	<b>2022</b>	2021	<b>2022</b>
Net income			
Basic	<b>¥335.07</b>	¥331.01	<b>\$2.74</b>
As of March 31	<b>2022</b>	2021	<b>2022</b>
Net assets	<b>¥3,589.31</b>	¥3,322.97	<b>\$29.33</b>

Notes:

1. Diluted adjusted net income per share is not indicated, as no potentially dilutive shares exist.
2. The Company introduced a performance-linked compensation plan for Directors and Executive Officers. When calculating net assets per share, the Company's shares held by the executive compensation BIP Trust are included in treasury stock, which is excluded from the number of shares outstanding at the end of the fiscal year. When calculating net income per share, these shares are included in treasury stock, which is excluded from calculations of the average number of shares during the fiscal year. As of March 31, 2021 the number of shares of treasury stock held by the trust at fiscal year-end was 96,508 shares and as of March 31, 2022 it was 77,129 shares and the average number of shares of treasury stock held by the trust was 96,508 shares during the fiscal year ended March 31, 2021, and it was 82,609 shares during the fiscal year ended March 31, 2022.
3. The bases for calculation are as follows:

### (1) Basic net income per share

	Thousands of shares	
For the years ended March 31	<b>2022</b>	2021
Weighted average number of shares for basic net income	<b>7,602</b>	7,588

	Millions of yen		Thousands of U.S. dollars
As of March 31	<b>2022</b>	2021	<b>2022</b>
Profit attributable to owners of parent	<b>¥2,547</b>	¥2,511	<b>\$20,813</b>
Profit attributable to owners of parent attributable to shares of common stock	<b>¥2,547</b>	¥2,511	<b>\$20,813</b>

### (2) Net assets per share

	Thousands of shares	
As of March 31	<b>2022</b>	2021
The number of shares of common stock used for the calculation of net assets per share	<b>7,607</b>	7,588

	Millions of yen		Thousands of U.S. dollars
As of March 31	<b>2022</b>	2021	<b>2022</b>
Total net assets	<b>¥27,307</b>	¥25,286	<b>\$223,116</b>
Amount deducted from total net assets	—	69	—
(Non-controlling interests)	—	69	—
Net assets attributable to shares of common stock	<b>¥27,307</b>	¥25,216	<b>\$223,116</b>

# Board of Directors and Executive Officers

(As of June 29, 2022)

## Board of Directors

### President

Toshikazu Tanaka

### Directors

Masahiko Saito

*In charge of Planning & Administrative Division*

Koichi Hayashi

*In charge of Plant Project Business Division*

*and In charge of Environmental Engineering Business Division  
and In charge of Hydrogen & Energy Project Center*

Shiro Yajima

*In charge of Technology Development & Production Division  
and In charge of Machinery Business Division*

Masaaki Kusunoki

Hiroshi Kanki

Satoru Yamanouchi

*Director, Audit and Supervisory Committee Member  
(Full-time)*

Kazuya Yamaguchi

*Director, Audit and Supervisory Committee Member  
(Full-time)*

Tomohiro Kikkawa

*Director, Audit and Supervisory Committee Member*

Junko Kamei

*Director, Audit and Supervisory Committee Member*

## Executive Officers

Shigeyuki Masaki

Masaharu Misawa

Shinichi Sakemi

Satoki Nakashima

Takashi Inoue

Koji Nagane

## Corporate Information

### Mitsubishi Kakoki Kaisha, Ltd.

#### Registered Office

2-1, Ohkawa-cho, Kawasaki-ku,

Kawasaki 210-8560, Japan

Telephone: +81-44-333-5354

Telefax: +81-44-577-7751

URL: <https://www.kakoki.co.jp>

#### Head Office

Solid Square East tower 580 Horikawa-cho,

Saiwai-ku, Kawasaki 212-0013, Japan

Telephone: +81-44-333-5354

Telefax: +81-44-577-7751

#### Branch Offices

Osaka

Yokkaichi

Fukuoka

Naha

#### Works

Kawasaki

Kashima

#### Overseas Branch

Taiwan

#### Overseas Offices

Malaysia

Indonesia

#### Subsidiaries

Mitsubishi Kakoki Advance, Ltd.

Kakoki Trading Co., Ltd.

MKK Asia Co., Ltd. (Kingdom of Thailand)

MKK Europe B.V. (Kingdom of the Netherlands)

Ryoka Mechanical Technology (Shanghai) Co., Ltd.  
(People's Republic of China)

**Established:** May 1, 1935

**Capital:** ¥3,956,975,000

**Stock issued:** 7,913,950 shares

**Number of stockholders:** 10,411

**Employees:** 529



2-1, Ohkawa-cho, Kawasaki-ku, Kawasaki 210-8560, Japan