

## Financial Review

Consolidated Operating Results, Consolidated Financial Position, and Consolidated Cash Flow for FYE May 2022 (from June 1, 2021 to May 31, 2022) are as follows:

### Results of Operation

<b>Orders received</b> <b>30,447</b> million yen (YoY +1.3%)	<b>Net sales</b> <b>30,158</b> million yen (YoY -0.9%)	<b>Profit/Loss</b> Net loss attributable to owners of the parent <b>930</b> million yen (Income of <b>977</b> million yen in the previous fiscal year)
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Orders received increased 1.3% compared with the previous fiscal year to 30,447 million yen, with the Transportation Business segment, the Industry Business segment, and the Information Equipment Systems segment\* all nearly on level with the previous fiscal year.

Net sales decreased 9.0% compared with the previous fiscal year to 30,158 million yen due to a decrease in net sales in the Transportation Business segment, the Industry Business segment, and the Information Equipment Systems segment\*.

From a profit perspective, operating income decreased 59.4% compared with the previous fiscal year to 171 million yen. Ordinary income increased 1.2% compared with the previous fiscal year to 766 million yen mainly due to investment gain on equity method and foreign exchange gain. Net loss attributable to owners of the parent was 930 million yen (compared with an income of 977 million yen in the previous fiscal year), mainly due to the impact of a 2,256-million-yen impairment loss on business assets related to the Industry Business segment, despite gain on sales of investment securities.

\* Reorganized to the ICT Solution Business segment in June 2022

### Financial Position

<b>Assets</b> Total assets <b>46,916</b> million yen	<b>Liabilities</b> Total liabilities <b>24,903</b> million yen	<b>Net assets</b> Total net assets <b>22,012</b> million yen
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Total assets as of May 31, 2022 stood at 46,916 million yen, a decrease of 5,051 million yen compared with the end of the previous fiscal year. The decrease in total assets was largely attributable to a decrease of 3,002 million yen in property, plant and equipment, a decrease of 1,360 million yen in investment securities, and a decrease of 891 million yen in trade notes and accounts receivable, partially offset by an increase of 485 million yen in cash on hand and in banks.

Total liabilities as of May 31, 2022 stood at 24,903 million yen, a decrease of 3,055 million yen compared with the end of the previous fiscal year. This decrease was largely attributable to a decrease of 2,085 million yen in debt and a decrease of 557 million yen in trade notes and accounts payable.

Net assets as of May 31, 2022 stood at 22,012 million yen, a decrease of 1,996 million yen compared with the end of the previous fiscal year. This decrease was largely attributable to a decrease of 1,198 million yen in retained earnings and a decrease of 889 million yen in unrealized holding gain on available-for-sale securities.

### Cash Flows

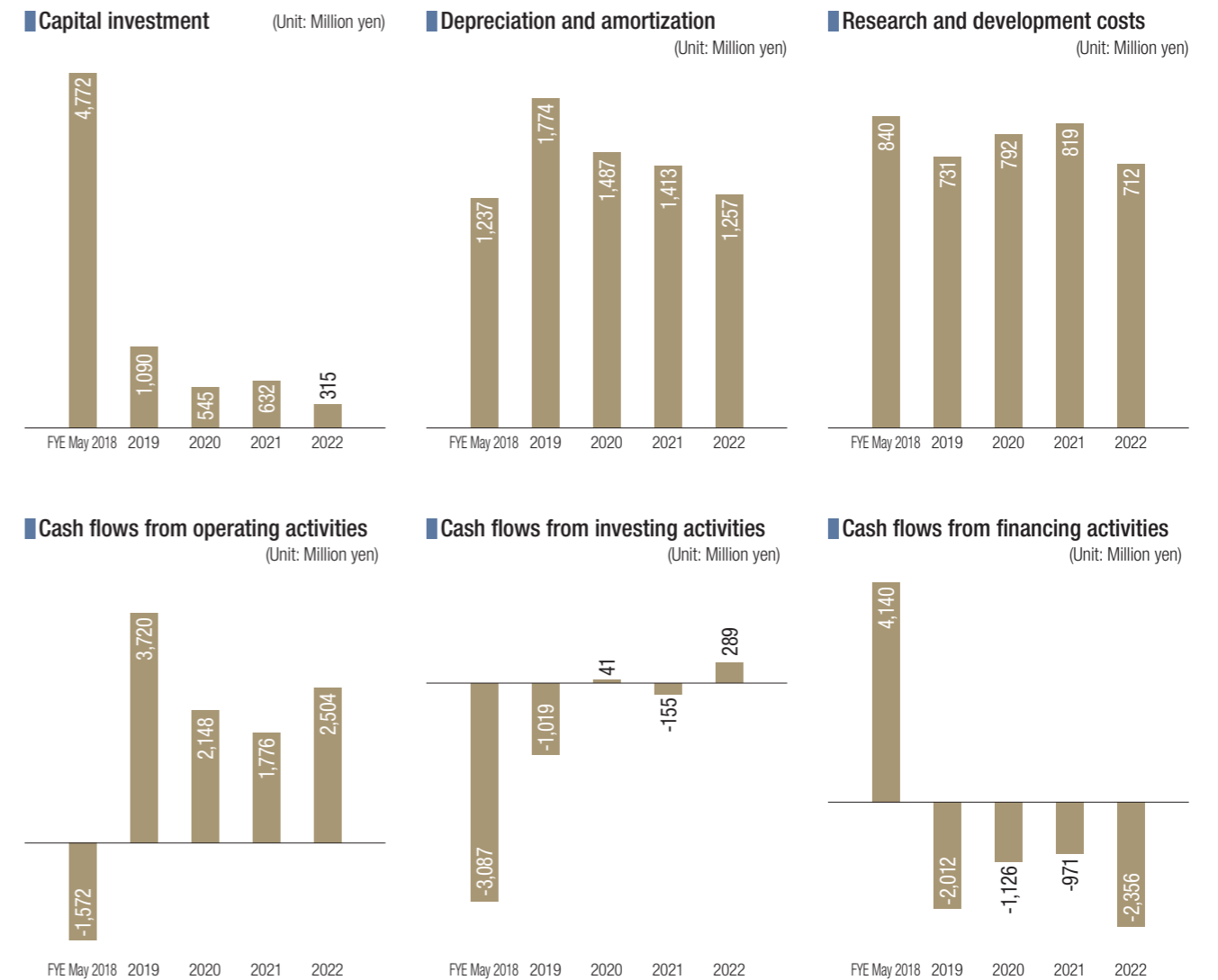
<b>Cash flow from operating activities</b> Net cash provided by operating activities <b>2,504</b> million yen	<b>Cash flow from investing activities</b> Net cash provided by investing activities <b>289</b> million yen	<b>Cash flow from financing activities</b> Net cash used in financing activities <b>2,356</b> million yen
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Net cash provided by operating activities amounted to 2,504 million yen (net cash of 1,776 million yen provided in the previous fiscal year), principally due to a decrease in trade notes and accounts receivable and a decrease in inventories.

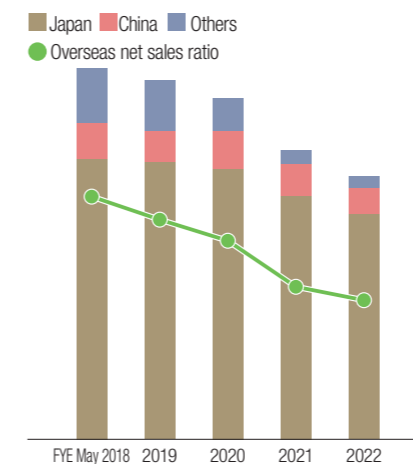
Net cash provided by investing activities totaled 289 million yen (net cash of 155 million yen used in the previous fiscal year), principally due to proceeds from sales of investment securities.

Net cash used in financing activities was 2,356 million yen (net cash of 971 million yen used in the previous fiscal year), primarily owing to repayment of debt.

## Reference Data for Management Indices (For the Years Ended May 31 or As of May 31)



### Net sales by region



	2018	2019	2020	2021	2022
Japan	32,124	31,745	30,997	27,876	25,779
China	4,085	3,663	4,282	3,628	3,015
Others	6,317	5,763	3,791	1,638	1,363
<b>Total</b>	<b>42,527</b>	<b>41,172</b>	<b>39,071</b>	<b>33,143</b>	<b>30,158</b>
Overseas net sales ratio	25.3%	22.9%	20.7%	15.9%	14.5%

**TOYO DENKI SEIZO K.K.**  
**Consolidated Balance Sheets**

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Assets</b>			
<b>Current assets:</b>			
Cash on hand and in banks (Notes 16 and 18)	¥ 4,449	¥ 3,964	\$ 34,705
Trade notes, accounts receivable and contract assets (Notes 2, 16 and 20)	12,091	—	94,310
Trade notes and accounts receivable (Note 16)	—	13,218	—
Electronically recorded receivables (Note 16)	1,136	901	8,863
Inventories (Note 3)	6,267	6,901	48,885
Other current assets	246	318	1,919
Allowance for doubtful accounts	(1)	(2)	(13)
<b>Total current assets</b>	<b>24,189</b>	<b>25,300</b>	<b>188,671</b>
<b>Property, plant and equipment (Notes 4 and 6):</b>			
Buildings and structures	3,985	6,410	31,086
Machinery and vehicles	579	966	4,520
Land	1,270	1,301	9,907
Construction in progress	7	24	60
Other	479	622	3,742
<b>Total property, plant and equipment</b>	<b>6,322</b>	<b>9,325</b>	<b>49,316</b>
<b>Investments and other assets :</b>			
Investment securities (Notes 16 and 17)	12,471	13,832	97,272
Deferred tax assets (Note 11)	883	223	6,894
Intangible assets	101	303	789
Other (Note 5)	2,953	2,988	23,039
Allowance for doubtful accounts	(6)	(6)	(53)
<b>Total investments and other assets</b>	<b>16,403</b>	<b>17,341</b>	<b>127,943</b>
<b>Total assets (Note 21)</b>	<b>¥46,916</b>	<b>¥51,967</b>	<b>\$365,932</b>

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Trade notes and accounts payable (Note 16)	¥ 1,610	¥ 1,668	\$ 12,559
Electronically recorded payables	4,205	4,705	32,803
Short-term borrowings and current portion of long-term debt (Notes 6 and 16)	585	2,085	4,565
Income taxes payable (Note 11)	306	161	2,390
Contract liabilities (Note 20)	47	—	373
Accrued expenses	688	611	5,368
Accrued directors' bonuses	6	36	50
Accrued employees' bonuses	699	827	5,455
Reserve for losses on order acknowledgements (Note 3)	970	871	7,571
Other	449	660	3,504
<b>Total current liabilities</b>	<b>9,569</b>	<b>11,628</b>	<b>74,642</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 16)	11,173	11,759	87,152
Deferred tax liabilities (Note 11)	—	427	—
Liability for retirement benefits (Note 7)	4,113	4,124	32,086
Long-term payables	38	17	304
Other	6	1	53
<b>Total long-term liabilities</b>	<b>15,333</b>	<b>16,330</b>	<b>119,597</b>
<b>Commitments and contingencies (Note 14)</b>			
<b>Net assets (Notes 8 and 15):</b>			
<b>Shareholders' equity:</b>			
Common stock	¥ 4,998	¥ 4,998	\$ 38,985
Capital surplus	3,177	3,177	24,783
Retained earnings	11,122	12,320	86,751
Treasury stock	(1,282)	(1,281)	(10,001)
<b>Total shareholders' equity</b>	<b>18,016</b>	<b>19,214</b>	<b>140,519</b>
<b>Accumulated other comprehensive income:</b>			
Unrealized holding gain on securities	3,913	4,803	30,526
Translation adjustments	144	88	1,126
Retirement benefits liability adjustments (Note 7)	(61)	(97)	(480)
<b>Total accumulated other comprehensive income</b>	<b>3,996</b>	<b>4,793</b>	<b>31,172</b>
<b>Total net assets</b>	<b>22,012</b>	<b>24,008</b>	<b>171,692</b>
<b>Total liabilities and net assets</b>	<b>¥46,916</b>	<b>¥51,967</b>	<b>\$365,932</b>

See notes to consolidated financial statements.

**TOYO DENKI SEIZO K.K.**  
**Consolidated Statements of Income**

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Net sales</b> (Notes 20 and 21)	¥30,158	¥33,143	\$235,229
<b>Cost of sales</b> (Note 3)	23,343	25,805	182,073
<b>Gross profit</b>	6,815	7,338	53,155
<b>Selling, general and administrative expenses</b> (Note 9)	6,643	6,914	51,814
Operating income (Note 21)	171	423	1,340
<b>Non-operating income (expenses):</b>			
Interest and dividend income	154	202	1,201
Interest expense	(58)	(67)	(458)
Equity in earnings (losses) of affiliates accounted for by the equity method	242	(4)	1,892
Foreign exchange gain	227	133	1,775
Insurance claim income related to disaster	—	34	—
Subsidy income	20	40	155
Other income (expenses), net	8	(5)	68
	594	333	4,635
Ordinary income	766	757	5,976
<b>Special (losses) gains, net</b> (Note 10)	(1,996)	407	(15,570)
(Loss) income before income taxes	(1,230)	1,164	(9,593)
<b>Income taxes</b> (Note 11):			
Current	403	352	3,146
Deferred	(703)	(165)	(5,485)
	(299)	186	(2,339)
<b>Net (loss) income</b>	(930)	977	(7,254)
<b>Net (loss) income attributable to owners of the parent</b>	¥ (930)	¥ 977	\$ (7,254)

See notes to consolidated financial statements.

**TOYO DENKI SEIZO K.K.**  
**Consolidated Statements of Comprehensive Income**

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Net (loss) income</b>	¥ (930)	¥ 977	\$(7,254)
<b>Other comprehensive loss</b> (Note 12):			
Unrealized holding loss on securities	(889)	(924)	(6,936)
Translation adjustments	2	(6)	22
Retirement benefits liability adjustments	35	32	278
Share of other comprehensive income of affiliates accounted for by the equity method	53	14	417
Total other comprehensive loss	(797)	(883)	(6,218)
<b>Comprehensive (loss) income</b>	¥(1,727)	¥ 94	\$(13,472)
<b>Comprehensive (loss) income attributable to:</b>			
Owners of the parent	¥(1,727)	¥ 94	\$(13,472)
Non-controlling interests	—	—	—

See notes to consolidated financial statements.

**TOYO DENKI SEIZO K.K.**  
**Consolidated Statements of Changes in Net Assets**

	(Millions of yen)									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
<b>Balance as of June 1, 2020</b>	¥4,998	¥3,177	¥11,610	¥(1,280)	¥18,505	¥5,727	¥ 79	¥(129)	¥5,677	¥24,183
<b>Changes during the year</b>										
Cash dividends paid	—	—	(268)	—	(268)	—	—	—	—	(268)
Net income attributable to owners of the parent	—	—	977	—	977	—	—	—	—	977
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	(924)	8	32	(883)	(883)
Total changes during the year	—	—	709	(0)	708	(924)	8	32	(883)	(174)
<b>Balance as of May 31, 2021</b>	¥4,998	¥3,177	¥12,320	¥(1,281)	¥19,214	¥4,803	¥ 88	¥ (97)	¥4,793	¥24,008
<b>Balance as of June 1, 2021</b>	¥4,998	¥3,177	¥12,320	¥(1,281)	¥19,214	¥4,803	¥ 88	¥ (97)	¥4,793	¥24,008
<b>Changes during the year</b>										
Cash dividends paid	—	—	(268)	—	(268)	—	—	—	—	(268)
Net loss attributable to owners of the parent	—	—	(930)	—	(930)	—	—	—	—	(930)
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	(889)	56	35	(797)	(797)
Total changes during the year	—	—	(1,198)	(0)	(1,198)	(889)	56	35	(797)	(1,996)
<b>Balance as of May 31, 2022</b>	¥4,998	¥3,177	¥11,122	¥(1,282)	¥18,016	¥3,913	¥144	¥ (61)	¥3,996	¥22,012

	(Thousands of U.S. dollars) (Note 1)									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
<b>Balance as of June 1, 2021</b>	\$38,985	\$24,783	\$96,097	\$(9,997)	\$149,870	\$37,463	\$ 687	\$(759)	\$37,390	\$187,261
<b>Changes during the year</b>										
Cash dividends paid	—	—	(2,092)	—	(2,092)	—	—	—	—	(2,092)
Net loss attributable to owners of the parent	—	—	(7,254)	—	(7,254)	—	—	—	—	(7,254)
Purchases of treasury stock	—	—	—	(4)	(4)	—	—	—	—	(4)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	(6,936)	439	278	(6,218)	(6,218)
Total changes during the year	—	—	(9,346)	(4)	(9,350)	(6,936)	439	278	(6,218)	(15,568)
<b>Balance as of May 31, 2022</b>	\$38,985	\$24,783	\$86,751	\$(10,001)	\$140,519	\$30,526	\$1,126	\$(480)	\$31,172	\$171,692

See notes to consolidated financial statements.

**TOYO DENKI SEIZO K.K.**  
**Consolidated Statements of Cash Flows**

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Operating activities</b>			
(Loss) income before income taxes	¥(1,230)	¥ 1,164	\$ (9,593)
Depreciation and amortization	1,257	1,413	9,804
Impairment loss	2,256	—	17,596
Reversal of allowance for doubtful accounts	(0)	2	(7)
Provision for accrued employees' bonuses	(128)	(49)	(999)
Increase in liability for retirement benefits	5	97	40
Interest and dividend income	(154)	(202)	(1,201)
Interest expense	58	67	458
Insurance claim income related to disaster	—	(34)	—
Equity in (earnings) losses of affiliates accounted for by the equity method	(242)	4	(1,892)
Subsidy income	(20)	(40)	(155)
Gain on sales of investment securities	(366)	(407)	(2,857)
Loss on valuation of investment securities	45	—	353
Gain on reversal of foreign translation adjustment	(94)	—	(733)
Loss on valuation of investments in capital of subsidiaries and affiliates	155	—	1,211
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	891	1,567	6,951
Inventories	633	274	4,943
Trade notes and accounts payable	(557)	(1,743)	(4,348)
Reserve for losses on order acknowledgements	99	142	772
Advances received	—	(11)	—
Contract liabilities	13	—	101
Accrued expenses	97	(14)	763
Other, net	(156)	(90)	(1,220)
Subtotal	2,562	2,138	19,986
Interest and dividend income received	162	210	1,270
Interest expense paid	(60)	(68)	(470)
Proceeds from insurance income related to disaster	—	34	—
Subsidies received	20	40	155
Income taxes paid	(180)	(580)	(1,404)
Net cash provided by operating activities	2,504	1,776	19,537
<b>Investing activities</b>			
Purchases of property, plant and equipment	(351)	(548)	(2,742)
Proceeds from sales of property, plant and equipment	14	—	113
Purchases of intangible assets	(18)	(43)	(146)
Purchases of investment securities	(73)	(14)	(575)
Proceeds from sales of investment securities	466	693	3,638
Proceeds from liquidation of an affiliate	283	—	2,207
Payments of loans receivable	—	(111)	—
Collection of loans receivable	15	11	116
Payments for investments in capital of subsidiaries and affiliates	—	(88)	—
Other, net	(45)	(53)	(355)
Net cash provided by (used in) investing activities	289	(155)	2,255
<b>Financing activities</b>			
Decrease in short-term loans payable	(1,500)	(83)	(11,699)
Repayment of long-term debt	(585)	(617)	(4,565)
Purchases of treasury stock	(0)	(0)	(4)
Cash dividends paid	(269)	(268)	(2,099)
Other, net	(1)	(1)	(14)
Net cash used in financing activities	(2,356)	(971)	(18,382)
<b>Effect of exchange rate change on cash and cash equivalents</b>	48	21	374
<b>Net increase in cash and cash equivalents</b>	485	670	3,784
<b>Cash and cash equivalents at beginning of period</b>	3,964	3,293	30,920
<b>Cash and cash equivalents at end of period (Note 18)</b>	¥ 4,449	¥ 3,964	\$ 34,705

See notes to consolidated financial statements.

**TOYO DENKI SEIZO K.K.**  
**Notes to Consolidated Financial Statements**
**1. Summary of Significant Accounting Policies***(a) Basis of presentation*

The accompanying consolidated financial statements of TOYO DENKI SEIZO K.K. (the "Company") and consolidated subsidiaries (collectively the "Group") are prepared on the basis of 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 are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

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

The accompanying consolidated financial statements included the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. The Company applies the "Practical Solution of Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for using Equity Method" (PITF No. 24). In accordance with these PITF, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items including goodwill, actuarial differences and capitalized development costs.

As of May 31, 2022, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 5 and 2 (6 and 3 in 2021). TOYO DENKI USA, INC., which was a consolidated subsidiary in the year ended May 31, 2021, was liquidated in the year ended May 31, 2022 and excluded from the scope of consolidation. TOYO DENKI USA, INC., for which the fiscal year end was December 31, was consolidated by using its pro forma financial statements as of March 31 which are prepared solely for consolidation purposes and necessary adjustments were made to its financial statements to reflect any significant transactions from April 1 to May 31. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are neither consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

*(c) Foreign currency translation*

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 statements 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.

*(d) 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 from the date of purchase, which can easily be converted to cash and are subject to little risk of change in value.

*(e) Inventories*

Inventories are stated principally at the lower of cost or net realizable value, cost being determined principally by the specific identification method for finished products and work in process and by the moving average cost method for raw material and supplies.

*(f) Short-term investments and investment securities*

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities (available-for-sale securities). Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Available-for-sale securities with market quotation are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities without market quotation are carried at cost. Cost of securities sold is determined by the moving average method.

*(g) Property, plant and equipment (except for leased assets) and depreciation*

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives and the residual value, while buildings except for facilities attached to buildings acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after June 1, 2016 are depreciated by the straight-line method. The estimated useful lives of these assets are as follows:

Buildings and structures:	8 to 60 years
Machinery and vehicles:	3 to 12 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

*(h) Intangible assets (except for leased assets)*

Intangible assets are amortized using the straight-line method. Software for internal use is amortized over the internal available period (5 years) using the straight-line method.

*(i) Leases*

Leased assets capitalized under the finance lease arrangements which do not transfer ownership to the lessee are depreciated over the lease period without any residual value using the straight-line method.

All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

*(j) Allowance for doubtful accounts*

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

*(k) Accrued directors' bonuses*

Accrued directors' bonuses are provided to cover the current fiscal year's portion of the estimated amounts to be paid in future for the performance incentive bonuses.

*(l) Accrued employees' bonuses*

Accrued employees' bonuses are provided to cover the current fiscal year's portion of the estimated amounts to be paid in future.

*(m) Reserve for losses on order acknowledgements*

Reserve for losses on order acknowledgements is provided based on the amounts expected to be incurred during the current fiscal year and which are able to estimate the losses reasonably to cover the future losses on order acknowledgements. Provision of reserve for losses on order acknowledgements in the amounts of ¥99 million (\$772 thousand) and ¥142 million is included in cost of sales for the years ended May 31, 2022 and 2021, respectively.

*(n) Retirement benefits*

Retirement benefit obligation is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Prior service cost is amortized as incurred by the straight-line method over a fixed period (10 years) within the average remaining years of service of the employees.

Actuarial differences are amortized by the straight-line method over a fixed period (10 years) within the average remaining years of service of the employees from the following year when incurred.

*(o) Income taxes*

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the temporary differences between the financial reporting and 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 expected to reverse.

*(p) Accounting for significant revenue and costs*

The Group engages primarily in manufacturing and sale of electronic equipment and installation works.

Revenue from sales of products is recognized when the product is accepted by a customer as control of the products is transferred to the customer and performance obligations are satisfied upon the customer's acceptance of the products.

However, in the case of domestic sales of products, revenue is recognized upon shipment if the period between the shipment of the product and the transfer of control of the product to the customer is a normal time period.

In addition, with respect to construction contracts for which performance obligations are satisfied over time, revenue is recognized based on progress toward complete satisfaction of a performance obligation.

The percentage of completion is based on the costs incurred to the estimated total cost (input method).

*(q) Research and development expenses*

Research and development expenses are charged to income when incurred.

*(r) Derivative financial instruments*

The Company and certain consolidated subsidiaries conduct various derivative transactions in order to manage certain risks arising from adverse fluctuations in interest rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for these which meet the criteria for deferred hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Deferred hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred.

Hedging instruments are derivative transactions and hedged items are primarily interest on debts. Hedge effectiveness is not assessed if the substantial terms and conditions of the hedging instruments and the hedged items are the same.

*(s) Significant accounting estimates*

(Impairment of certain assets or groups of assets in the Industrial Systems segment)

(1) The amount recorded in the consolidated financial statements for the years ended May 31, 2022 and 2021

Property, plant and equipment, intangible assets and long-term prepaid expenses belonging to certain groups of assets in the Industrial Systems segment:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Impairment loss	¥2,256	¥ —	\$17,596
Property, plant and equipment, intangible assets and long-term prepaid expenses	3,325	5,928	25,934

(2) Other information that is useful for the reader of the consolidated financial statements to understand the contents of accounting estimates

a. Calculation method for the amount recorded in the consolidated financial statements for the year ended May 31, 2022

In preparing the consolidated financial statements, the Group groups its assets so that the estimates on impairment of fixed assets appropriately reflect the Group's actual management condition, and assesses indication of impairment. Assessment of indication of impairment is carried out based on the information available to the Group on the status of profit or loss generated from operating activities using the assets, etc. and whether the business environment has deteriorated significantly in connection with the business using the assets or groups of assets. If there is an indication of impairment, the Group will determine whether an impairment loss should be recognized. If the aggregated amount of undiscounted future cash flows is lower than the carrying amount, the carrying amount will be reduced to the recoverable value and an impairment loss will be recognized.

The future cash flows are estimated based on the business plan approved by the management and the growth rate for the period that exceeds the business plan period.

b. Main assumptions used for computing the amount recorded in the consolidated financial statements for the year ended May 31, 2022

In the computation of undiscounted future cash flows, the main assumption is net sales based on the projection of future order acknowledgements. Net sales based on the projection of future order acknowledgements are computed based on the management's evaluation of future trends of the industry, historical performances and internal and external information.

c. Effects on the consolidated financial statements for the following fiscal year

Estimates on undiscounted future cash flows involve uncertainties, since they are subject to changes in demand trends of some customers and unforeseeable events such as natural disasters. Accordingly, when the undiscounted future cash flows significantly differ from the assumption by the Group, the consolidated financial statements for the following year may be significantly affected.

(t) Changes in Accounting Policies

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

In applying this standard, the Company applied the alternative treatment defined in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue from domestic sales of products upon shipment if the period between the shipment of the product and the transfer of control of the product to the customer is a normal time period.

The Company previously applied the percentage-of-completion method for construction contracts whose percentage of completion can be reliably estimated, and the completed-contract method for other construction contracts. However, from the beginning of the year ended May 31, 2022, regarding contracts whose performance obligation is satisfied over time, the Company has changed the method of recognizing revenue to one where revenue is recognized over time as it satisfies its performance obligation. For contracts whose performance obligation is satisfied at a point in time, the Company has changed the method of recognizing revenue to one where revenue is recognized when the construction work has been completed. The progress toward complete satisfaction of the performance obligation is based on the costs incurred to the estimated total cost (input method).

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 current fiscal year, with the new accounting policies applied from the beginning balance.

As a result of the above, there was no impact on profit or loss for the year ended May 31, 2022. In addition, there was no impact on the beginning balance of retained earnings nor on per share information.

With the application of the Revenue Recognition Standard, "Trade notes and accounts receivable," which was previously presented under "Current assets," has been included in "Trade notes, accounts receivable and contract assets" from the year ended May 31, 2022, and "Advances received," which was previously included in "Other," has been presented as "Contract liabilities" from the year ended May 31, 2022. Furthermore, "Advances received" under "Changes in operating assets and liabilities" in the consolidated statements of cash flows, has been included in "Contract liabilities" under "Changes in operating assets and liabilities" from the year ended May 31, 2022. In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Standard, figures for the previous period 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 period have not been presented.

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

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated in 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). There is no impact on consolidated financial statements.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided 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 period are not presented.

(u) Change in presentation

(Consolidated Statements of Cash Flows)

"Equity in (earnings) losses of affiliates accounted for by the equity method" which was included in "Other, net" under "Operating activities" for the year ended May 31, 2021 has been separately presented from the year ended May 31, 2022 due to an increase in its monetary materiality. In order to reflect this change in presentation, the consolidated financial statements for the year ended May 31, 2021 have been reclassified.

As a result, ¥(86) million presented as "Other, net" under "Operating activities" was reclassified to ¥4 million in "Equity in (earnings) losses of affiliates accounted for by the equity method" and ¥(90) million in "Other, net."

2. Other Explanatory Information

Note 1. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥128.21=U.S.\$1, the approximate rate of exchange prevailing at May 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.

Note 2. Receivables and Contract Assets Arising from Contracts with Customers

Trade notes, accounts receivable and contract assets from contracts with customers as of May 31, 2022 were as follows:

As of	May 31, 2022	
	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable	¥ 586	\$ 4,577
Accounts receivable	7,088	55,289
Contract assets	4,415	34,442

Note 3. Inventories

Inventories as of May 31, 2022 and 2021 were as follows:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Goods and finished products	¥ 501	¥ 514	\$ 3,910
Work in process	3,077	3,565	24,004
Raw materials and supplies	2,688	2,821	20,971
	¥6,267	¥6,901	\$48,885

Inventories were stated at the lower of cost or net realizable value and the Company recognized losses on write-down of inventories held for the ordinary sales purpose due to a decline in profitability in the amount of ¥134 million (\$1,048 thousand) and ¥190 million for the years ended May 31, 2022 and 2021, respectively. These amounts were included in "Cost of sales."

Inventories related to construction contracts which are estimated to make losses were stated after deducting the corresponding reserve for losses on order acknowledgements in the following amounts:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Goods and finished products	¥ 0	¥ 28	\$ 5
Work in process	153	144	1,200
	¥154	¥173	\$1,205

**Note 4. Property, Plant and Equipment**

The following table sets forth the acquisition costs and related accumulated depreciation:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥ 10,326	¥ 12,338	\$ 80,544
Machinery and vehicles	8,185	8,397	63,841
Other	4,977	4,857	38,821
	23,488	25,593	183,206
Accumulated depreciation	(18,444)	(17,593)	(143,857)
	¥ 5,044	¥ 7,999	\$ 39,348

Depreciation of property, plant and equipment for the years ended May 31, 2022 and 2021 were as follows:

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
	¥1,257	¥1,413	\$9,804

Accumulated depreciation of property, plant and equipment amounted to ¥18,444 million (\$143,857 thousand) and ¥17,593 million as of May 31, 2022 and 2021, respectively.

**Note 5. Investments and Other Assets**

Investments in unconsolidated subsidiaries and affiliates included in "Other" under "Investments and other assets" as of May 31, 2022 and 2021 were as follows:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in capital	¥2,184	¥2,249	\$17,038

**Note 6. Short-Term Borrowings and Long-Term Debt**

As of May 31, 2022 and 2021, short-term borrowings and the current portion of long-term debt consisted of the following:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks	¥ —	¥1,500	\$ —
Current portion of long-term debt	585	585	4,565
	¥585	¥2,085	\$4,565

The annual weighted average interest rates applicable to current-portion of long-term debt as of May 31, 2022 were 0.601%.

As of May 31, 2022 and 2021, long-term debts were as follows:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Long-term debt, excluding current portion, serially due from 2023 through 2032	¥11,173	¥11,759	\$87,152

The annual weighted average interest rate applicable to long-term debt as of May 31, 2022 was 0.405%.

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

Years ended May 31	(Millions of yen)	(Thousands of U.S. dollars)
2023	¥ 585	\$ 4,565
2024	885	6,905
2025	4,525	35,295
2026	4,525	35,295
2027 and thereafter	1,237	9,655
	¥11,759	\$91,717

As of May 31, 2022 and 2021, the assets pledged as collateral for short-term borrowings and long-term debt were as follows:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥3,170	¥5,485	\$24,729
Machinery and vehicles	368	596	2,870
Other property, plant and equipment	146	376	1,140
Land	1,201	1,232	9,371
	¥4,886	¥7,691	\$38,111

The following assets included in the above are set by factory foundation fixed collateral security for short-term borrowings as of May 31, 2022 and 2021:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥1,380	¥1,474	\$10,764
Machinery and vehicles	368	596	2,870
Other property, plant and equipment	146	376	1,140
	¥1,894	¥2,447	\$14,774

**Note 7. Retirement Benefit Plans**

The Company and its consolidated subsidiaries have retirement benefit plans combined by defined contribution plans and lump-sum payment plans.

The Company and its consolidated subsidiaries introduced the point system in the lump-sum payment plans, under which retirement benefit amounts are computed based on the accumulated points granted according to the job ranking and performances.

Under the lump-sum payment plans held by certain consolidated subsidiaries, the liability for retirement benefits and retirement benefit expenses are calculated using a simplified method.

The changes in the retirement benefit obligation during the years ended May 31, 2022 and 2021 were as follows:

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation as of June 1	¥4,124	¥4,010	\$32,171
Service cost	297	284	2,316
Interest cost	15	15	119
Actuarial (gain) loss	(16)	16	(125)
Retirement benefits paid	(287)	(202)	(2,242)
Other	(19)	—	(154)
Retirement benefit obligation as of May 31	¥4,113	¥4,124	\$32,086

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of May 31, 2022 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Unfunded retirement benefit obligation	¥4,113	¥4,124	\$32,086
Net liability (asset) for retirement benefits on the consolidated balance sheets	4,113	4,124	32,086
Liability for retirement benefits	¥4,113	¥4,124	\$32,086
Net liability (asset) for retirement benefits on the consolidated balance sheets	4,113	4,124	32,086

Note: The plan adopting the simplified method is included.

The components of retirement benefit expenses for the years ended May 31, 2022 and 2021 were as follows:

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥297	¥284	\$2,316
Interest cost	15	15	119
Amortization of actuarial loss	35	63	276
Other	11	—	93
Retirement benefit expenses	¥359	¥363	\$2,806

Retirement benefits liability adjustments included in other comprehensive income (before tax effect) as of May 31, 2022 and 2021 were as follows:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Actuarial gain	¥51	¥46	\$402
Total	¥51	¥46	\$402

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of May 31, 2022 and 2021 were as follows:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized actuarial gain	¥88	¥140	\$692
Total	¥88	¥140	\$692

Major actuarial assumptions (weighted average) used in accounting for the above plans as of May 31, 2022 and 2021 were as follows:

For the Years Ended	May 31, 2022	May 31, 2021
Discount rate	0.4%	0.4%

Note: The Company does not use the expected rate of salary increase in computing retirement benefit obligation since the Company adopts the point system.

The amounts of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries were ¥116 million (\$911 thousand) and ¥118 million for the years ended May 31, 2022 and 2021, respectively.

**Note 8. Net Assets**

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

a. Shares issued and outstanding/ Treasury stock

For the year ended May 31, 2022

Type of shares	Number of shares as of June 1, 2021	Increase	Decrease	Number of shares as of May 31, 2022
Shares issued:				
Common stock	9,735,000	—	—	9,735,000
Treasury stock:				
Common stock	794,128	480	—	794,608

Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit 480 shares

For the year ended May 31, 2021

Type of shares	Number of shares as of June 1, 2020	Increase	Decrease	Number of shares as of May 31, 2021
Shares issued:				
Common stock	9,735,000	—	—	9,735,000
Treasury stock:				
Common stock	793,403	725	—	794,128

Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit 725 shares

b. Dividends

1) Dividends paid

For the year ended May 31, 2022

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 27, 2021	Common stock	¥268	\$2,092	¥30.00	\$0.23	May 31, 2021	August 30, 2021

For the year ended May 31, 2021

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 26, 2020	Common stock	¥268	¥30.00	May 31, 2020	August 27, 2020



2) Dividends with the cut-off date in the year ended May 31, 2022 and the effective date in the year ending May 31, 2023

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 August 25, 2022	Common stock	¥268	\$2,091	Retained earnings	¥30.00	\$0.23	May 31, 2022	August 26, 2022

**Note 9. Selling, General and Administrative Expenses**

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

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Salaries and allowances	¥1,868	¥1,895	\$14,574
Provision for accrued directors' bonuses	6	36	50
Provision for accrued employees' bonuses	315	322	2,463
Retirement benefit expenses	202	205	1,579
Provision for allowance for doubtful accounts	(0)	2	(7)
Research and development expenses	712	819	5,553

**Note 10. Special (Losses) Gains, Net**

The components of "Special (losses) gains, net" for the years ended May 31, 2022 and 2021 were as follows:

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Special gains:			
Gain on sales of investment securities	¥ 366	¥407	\$ 2,857
Gain on reversal of foreign translation adjustment	94	—	733
Special losses:			
Impairment loss	(2,256)	—	(17,596)
Loss on valuation of investment securities	(45)	—	(353)
Loss on valuation of investments in subsidiaries and affiliates	(155)	—	(1,211)
Total	¥(1,996)	¥407	\$(15,570)

**Impairment loss**

The Group recognized an impairment loss on the following group of assets for the year ended May 31, 2022:

Use	Location	Type of assets	Loss on impairment	
			(Millions of yen)	(Thousands of U.S. dollars)
Manufacturing equipment of Industrial Systems	Toyo Denki Seizo K.K. Shiga Ryuo plant (Ryuo-cho, Shiga Pref.)	Buildings, etc.	¥2,256	\$17,596

In assessing impairment losses, the Group groups its business assets based on business classification for management accounting purposes under which income and expenditure are managed on an ongoing basis.

Since the future cash flows were lower than the carrying value of the asset group due to a deterioration in the earnings environment, the value of various fixed assets was reduced to their recoverable amount and the reduced amount was recorded as an impairment loss under special losses. The recoverable amount is measured using the value in use and calculated by discounting the future cash flows at 4.8%.

The above assets consist of buildings and structures in the amount of ¥2,046 million (\$15,962 thousand), machinery, equipment and vehicles in the amount of ¥178 million (\$1,392 thousand) and land in the amount of ¥30 million (\$241 thousand).

**Note 11. Income Taxes**

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 30.6% for the years ended May 31, 2022 and 2021. Income taxes of a foreign consolidated subsidiary are based generally on the tax rates applicable in the country of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statements of income and the effective statutory tax rate for the year ended May 31, 2022 is omitted since loss before income taxes was recorded for the year ended May 31, 2022.

The reconciliation between the effective tax rates reflected in the consolidated statements of income and the effective statutory tax rate for the year ended May 31, 2021 was as follows:

For the Year Ended	May 31, 2021
Effective statutory tax rate	30.6%
Effect of:	
Non-deductible expenses for income tax purpose	1.2
Non-taxable income such as dividends income, etc.	(1.9)
Per capita inhabitant tax	2.5
Valuation allowance	4.9
Income from affiliates accounted for by the equity method	(0.1)
Liquidation of an affiliate	(21.0)
Difference arising from the rates used by subsidiaries	1.1
Retained profit of affiliates	0.3
Research and development tax credit	(1.2)
Other	(0.4)
Effective tax rate	16.0%

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

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Write-down of inventories	¥ 307	¥ 270	\$ 2,398
Impairment loss	691	—	5,396
Liability for retirement benefits	1,266	1,269	9,877
Accrued employees' bonuses	252	258	1,967
Reserve for losses on order acknowledgements	131	157	1,028
The carryforward of unused tax losses (Note 1)	129	549	1,011
Other	498	361	3,889
Total gross deferred tax assets	3,278	2,867	25,569
Valuation allowance for the carryforward of unused tax losses (Note 1)	(129)	(536)	(1,008)
Valuation allowance for deductible temporary differences	(462)	(346)	(3,609)
Total valuation allowance	(592)	(883)	(4,617)
Total deferred tax assets	2,686	1,983	20,951
Deferred tax liabilities:			
Unrealized holding gain on securities	(1,736)	(2,136)	(13,544)
Other	(65)	(50)	(511)
Total deferred tax liabilities	(1,802)	(2,187)	(14,056)
Net deferred tax assets (liabilities)	¥ 883	¥ (203)	\$ 6,894

(Note 1) Valuation allowance decreased by ¥291 million (\$2,269 thousand) due primarily to a decrease in valuation allowance on tax loss carryforwards by ¥406 million (\$3,172 thousand).

(Note 2) The breakdown of the carryforward of unused tax losses and valuation allowance by expiry date is as follows:  
Year ended May 31, 2022

(Millions of yen)	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
The carryforward of unused tax losses (a)	¥ 5	¥—	¥—	¥—	¥ 12	¥ 111	¥ 129
Valuation allowance	(5)	—	—	—	(12)	(111)	(129)
Deferred tax assets	—	—	—	—	—	0	0(b)

(Thousands of U.S. dollars)	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
The carryforward of unused tax losses (a)	\$ 39	\$—	\$—	\$—	\$ 98	\$ 873	\$ 1,011
Valuation allowance	(39)	—	—	—	(98)	(870)	(1,008)
Deferred tax assets	—	—	—	—	—	3	3(b)

(a) The amount is determined by multiplying the corresponding carryforward of unused tax losses by the effective statutory tax rate.  
(b) Deferred tax assets of ¥0 million (\$3 thousand) is recognized on the carryforward of unused tax losses of ¥129 million (\$1,011 thousand) (amount multiplied by the effective statutory tax rate). The said deferred tax assets of ¥0 million (\$3 thousand) is recognized on the carryforward of unused tax losses of ¥20 million (\$163 thousand) (amount multiplied by the effective statutory tax rate) of Toyo Shoji Co., Ltd., which is a consolidated subsidiary of the Company.

Year ended May 31, 2021

(Millions of yen)	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
The carryforward of unused tax losses (a)	¥ 435	¥ 5	¥—	¥—	¥—	¥ 109	¥ 549
Valuation allowance	(435)	(5)	—	—	—	(96)	(536)
Deferred tax assets	—	—	—	—	—	13	13(b)

(a) The amount is determined by multiplying the corresponding carryforward of unused tax losses by the effective statutory tax rate.  
(b) Deferred tax assets of ¥13 million is recognized on the carryforward of unused tax losses of ¥549 million (amount multiplied by the effective statutory tax rate). The said deferred tax assets of ¥13 million is recognized on the carryforward of unused tax losses of ¥13 million (amount multiplied by the effective statutory tax rate) of Toyo Shoji Co., Ltd., which is a consolidated subsidiary of the Company.

**Note 12. Other Comprehensive Loss**

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive loss for the years ended May 31, 2022 and 2021:

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized holding loss on securities:			
Amount arising during the year	¥(1,655)	¥(1,737)	\$(12,912)
Reclassification adjustments for gains and losses included in net income	366	407	2,857
Amount before tax effect	(1,289)	(1,330)	(10,055)
Tax effect	399	405	3,118
Unrealized holding loss on securities	(889)	(924)	(6,936)
Translation adjustments			
Amount arising during the year	—	(6)	—
Reclassification adjustments for gains and losses included in net income	2	—	22
Amount before tax effect	2	(6)	22
Tax effect	(15)	(14)	(123)
Translation adjustments	2	(6)	22
Retirement benefits liability adjustments			
Amount arising during the year	24	(16)	194
Reclassification adjustments for gains and losses included in net income	26	63	207
Amount before tax effect	51	46	402
Tax effect	(15)	(14)	(123)
Retirement benefits liability adjustments	35	32	278
Share of other comprehensive income of affiliates accounted for by the equity method			
Amount arising during the year	53	14	417
Share of other comprehensive income of affiliates accounted for by the equity method	53	14	417
Total other comprehensive loss	¥ (797)	¥ (883)	\$ (6,218)

**Note 13. Lease Transactions**

Information on finance leases that do not transfer ownership of the leased property to the lessee is omitted since there is no materiality in terms of value.

**Note 14. Contingent Liabilities**

As of May 31, 2022 and 2021, the Company was committed to provide guarantees on bank borrowings of the following affiliates:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Changzhou Ruiyang Transmission Technology Co., Ltd.	¥316	¥374	\$2,469
Beijing Jingche Shuangyang Traction System Co., Ltd.	224	222	1,754

**Note 15. Amounts Per Share**

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Yen)		(U.S. dollars)
Net (loss) income:			
Basic	¥(104.02)	¥109.38	\$(0.81)
As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Yen)		(U.S. dollars)
Net assets	¥2,462.17	¥2,685.28	\$19.20

Note: Diluted net income per share is omitted for the year ended May 31, 2022 since there is no dilution of equity and the Company recorded net loss per share for the period. Diluted net income per share is omitted for the year ended May 31, 2021 since there is no dilution of equity.

The bases for calculation are as follows:

**Basic net (loss) income per share**

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Net (loss) income attributable to owners of the parent	¥(930)	¥977	\$(7,254)
Net (loss) income not attributable to common shareholders	—	—	—
Net (loss) income attributable to owners of the parent related to common stock	(930)	977	(7,254)
	(Thousand shares)		
Average number of shares of common stock during the year	8,940	8,941	

**Note 16. Financial Instruments**

**Overview**

(1) Policy for financial instruments

The Group raises its necessary funds for capital investments to reinforce and renew production facilities and working capital principally through bank borrowings. The Group manages temporary cash surpluses through low risk financial assets. The Group uses derivatives in order to avoid the following risks and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable and electronically recorded receivables—are exposed to credit risk in relation to customers. Trade receivables denominated in foreign currencies arising from international business are exposed to foreign exchange fluctuation risk, but the Group utilizes forward foreign exchange contracts to reduce such risk as a hedging instrument.

Investment securities are composed of mainly the shares of common stock of other companies with which the Group has business relationships and exposed to market risk.

Certain long-term debt raised for the purpose of making capital investments with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding hedging instruments and hedged items in hedge accounting, hedging policy, and assessment of the effectiveness of hedging activities, etc., please see “1. Summary of Significant Accounting Policies (r) Derivative financial instruments.”

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

Investment securities are composed of mainly the shares of common stock of highly rated companies with which the Group has business relationships. Accordingly, the Group believes that the credit risk deriving from such investment securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(b) Monitoring of market risks (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Group utilizes interest rate swap transactions to reduce interest rate fluctuation risk on long-term debt.

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transactions data are submitted to the Board of Directors for their review.

(c) Monitoring of liquidation risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidation risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 19, Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

**Fair value of financial instruments**

Carrying value and fair value of financial instruments on the consolidated balance sheets as of May 31, 2022 and 2021 and difference between the two are shown in the following table.

As of May 31, 2022	Carrying value	Fair value	Difference
	(Millions of yen)		
<b>Assets</b>			
Investment securities*1	¥11,408	¥11,408	¥—
Total assets	¥11,408	¥11,408	¥—
<b>Liabilities</b>			
Long-term debt*2	¥11,759	¥11,770	¥10
Total liabilities	¥11,759	¥11,770	¥10

As of May 31, 2022	Carrying value	Fair value	Difference
	(Thousands of U.S. dollars)		
<b>Assets</b>			
Investment securities*1	\$88,984	\$88,984	\$—
Total assets	\$88,984	\$88,984	\$—
<b>Liabilities</b>			
Long-term debt*2	\$91,717	\$91,802	\$85
Total liabilities	\$91,717	\$91,802	\$85

\*1 Investment securities  
The fair value of investment securities is determined based on quoted prices on the stock exchange. Securities are held as available-for-sale securities. For notes on these securities, see Note 17 “Securities.”

\*2 Long-term debt  
The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term debt with variable interest rates, which is hedged by the interest rate swaps and to which hedge accounting is applied, is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. Current portion of long-term debt is included in the above table.

Notes:

- Cash on hand and in banks, trade notes and accounts receivable, electronically recorded receivables, trade notes and accounts payable, electronically recorded payables, short-term borrowings, income taxes payable, etc. are omitted since these items are settled in a short period of time and their carrying value approximates their fair value.
- Equity securities without market quotation, etc. are not included in the above investment securities. Carrying value of such financial instruments is as follows:

As of	May 31, 2022	
	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted equity securities	¥1,062	\$8,288

As of May 31, 2021	Carrying value	Fair value	Difference
<b>Assets</b>			
Investment securities*1	¥12,767	¥12,767	¥—
Total assets	¥12,767	¥12,767	¥—
<b>Liabilities</b>			
Long-term debt*2	¥12,344	¥12,373	¥29
Total liabilities	¥12,344	¥12,373	¥29

\*1 Investment securities  
The fair value of investment securities is determined based on quoted prices on the stock exchange. Securities are held as available-for-sale securities. For notes on these securities, see Note 17 "Securities."

\*2 Long-term debt  
The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term debt with variable interest rates, which is hedged by the interest rate swaps and to which hedge accounting is applied, is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. Current portion of long-term debt is included in the above table.

Notes:

- Cash on hand and in banks, trade notes and accounts receivable, electronically recorded receivables, trade notes and accounts payable, electronically recorded payables, short-term borrowings, income taxes payable, etc. are omitted since these items are settled in a short period of time and their carrying value approximates their fair value.
- Carrying value of financial instruments for which it is extremely difficult to determine the fair value is as follows:

As of	May 31, 2021
	(Millions of yen)
Unlisted equity securities	¥1,064

- Redemption schedule for receivables and securities with maturities on May 31, 2022 and 2021 were as follows:

As of May 31, 2022	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash on hand and in banks	¥ 4,449	¥—	¥—	¥—
Trade notes and accounts receivable	7,643	32	—	—
Electronically recorded receivables	1,136	—	—	—
	¥13,229	¥32	¥—	¥—

As of May 31, 2022	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash on hand and in banks	\$ 34,705	\$ —	\$ —	\$ —
Trade notes and accounts receivable	59,615	252	—	—
Electronically recorded receivables	8,863	—	—	—
	\$103,184	\$252	\$—	\$—

As of May 31, 2021	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash on hand and in banks	¥ 3,962	¥—	¥—	¥—
Trade notes and accounts receivable	13,189	29	—	—
Electronically recorded receivables	901	—	—	—
	¥18,052	¥29	¥—	¥—

- The redemption schedule for long-term debt is disclosed in Note 6.

**Fair value information by level within the fair value hierarchy**

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 (unadjusted) quoted prices in active markets for assets or liabilities that are the subject of the measurement.

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

Level 3 fair value: Fair value measured using significant unobservable inputs.

If multiple inputs that are significant to the fair value measurement are used, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

- Financial assets and liabilities measured at fair value

As of May 31, 2022	Fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Investment securities:				
Available-for-sale securities:				
Equity securities	¥11,408	¥—	¥—	¥11,408
Total financial assets	¥11,408	¥—	¥—	¥11,408
Not applicable for financial liabilities				

As of May 31, 2022	Fair value			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Investment securities:				
Available-for-sale securities:				
Equity securities	\$88,984	\$—	\$—	\$88,984
Total financial assets	\$88,984	\$—	\$—	\$88,984
Not applicable for financial liabilities				

- Financial assets and liabilities other than those measured at fair value

As of May 31, 2022	Fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Not applicable for financial assets				
Long-term debt	¥—	¥11,770	¥—	¥11,770
Total financial liabilities	¥—	¥11,770	¥—	¥11,770

As of May 31, 2022	Fair value			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Not applicable for financial assets				
Long-term debt	\$—	\$91,802	\$—	\$91,802
Total financial liabilities	\$—	\$91,802	\$—	\$91,802

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

**Investment securities**

The fair value of listed equity securities is based on quoted market prices. As listed equity securities are traded in active markets, their fair value is classified as Level 1.

**Long-term debt**

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term debt with variable interest rates, which is hedged by the interest rate swaps and to which hedge accounting is applied, is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term debt is classified as Level 2.

The fair value of long-term debt includes current portion of long-term debt.

**Note 17. Securities**

Information regarding securities classified as available-for-sale securities

**Available-for-sale securities**

As of May 31, 2022	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities for which carrying value exceeds acquisition cost:			
Stock	¥11,205	¥5,539	¥5,666
Subtotal	¥11,205	¥5,539	¥5,666
Securities for which acquisition cost exceeds carrying value:			
Stock	¥ 202	¥ 218	¥ (15)
Subtotal	¥ 202	¥ 218	¥ (15)
Total	¥11,408	¥5,758	¥5,650

As of May 31, 2022	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities for which carrying value exceeds acquisition cost:			
Stock	\$87,402	\$43,207	\$44,195
Subtotal	\$87,402	\$43,207	\$44,195
Securities for which acquisition cost exceeds carrying value:			
Stock	\$ 1,582	\$ 1,706	\$ (123)
Subtotal	\$ 1,582	\$ 1,706	\$ (123)
Total	\$88,984	\$44,913	\$44,071

Note: Acquisition cost in the above table represents carrying value reflecting impairment losses. In the year ended May 31, 2022, the Company recognized loss on valuation of investment securities in the amount of ¥45 million (\$353 thousand). If the market value of the securities declines by 50% or more from the acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the market value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, the Group recognizes an impairment loss for the necessary amount considering its recoverability.

As of May 31, 2021	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities for which carrying value exceeds their acquisition cost:			
Stock	¥12,514	¥5,511	¥7,003
Subtotal	¥12,514	¥5,511	¥7,003
Securities for which acquisition cost exceeds their carrying value:			
Stock	¥ 253	¥ 317	¥ (63)
Subtotal	¥ 253	¥ 317	¥ (63)
Total	¥12,767	¥5,828	¥6,939

Note: Acquisition cost in the above table represents carrying value reflecting impairment losses. If the market value of the securities declines by 50% or more from the acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the market value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, the Group recognizes an impairment loss for the necessary amount considering its recoverability.

**Information regarding available-for-sale securities sold**

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Stock:			
Sales proceeds	¥466	¥693	\$3,637
Gain on sales	366	407	2,857
Loss on sales	—	—	—

**Note 18. Supplementary Cash Flow Information**

Cash and cash equivalents in the consolidated statements of cash flows for the years ended May 31, 2022 and 2021 were reconciled to cash on hand and in banks in the consolidated balance sheets as follows:

As of	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Cash on hand and in banks	¥4,449	¥3,964	\$34,705
Cash and cash equivalents	¥4,449	¥3,964	\$34,705

**Note 19. Derivative Transactions**

**Hedging policies**

The Company utilizes forward foreign exchange contracts and interest rate swaps for the purpose of hedging its exposure to fluctuations in foreign exchange rates and interest rates, respectively. However, based on internal management rules on financial market risk approved by the Company's Board of Directors, Group companies do not enter into transactions involving derivatives for speculative or trading purposes.

**Types and purpose of derivative transactions**

The Company primarily uses forward foreign exchange contracts to hedge against the fluctuations in foreign currency exchange rates on trade receivables denominated in foreign currencies and interest rate swaps to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

*Derivative transactions to which hedge accounting is not applied:*

As of May 31, 2022 and 2021, there were no currency-related derivatives.

*Derivative transactions to which hedge accounting is applied:*

As of May 31, 2022 and 2021, there were no interest-related derivatives.

**Note 20. Revenue Recognition**

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

Information about disaggregation of revenue arising from contracts with customers is as follows:

Year ended May 31, 2022		(Millions of yen)	(Thousands of U.S. dollars)
Reportable segment:			
Transportation Systems	Domestic railway	¥14,705	\$114,698
	Overseas railway	2,831	22,088
	Other	1,919	14,971
	Subtotal	¥19,456	\$151,757
Industrial Systems	Processing machine	¥ 2,719	\$ 21,210
	Testing machine	2,173	16,950
	Power generator/power source	2,187	17,059
	Other	2,822	22,016
	Subtotal	¥ 9,902	\$ 77,236
Information Equipment Systems	Information equipment	¥ 790	\$ 6,163
	Subtotal	¥ 790	\$ 6,163
Other (Note)		¥ 9	\$ 71
Total		¥30,158	\$235,229
Revenue arising from contracts with customers		¥30,158	\$235,229
Sales to third parties		¥30,158	\$235,229

(Note) "Other" represents business units which are not included in reportable segments and consists of worker dispatching services related activities, etc.

**2. Useful information in understanding revenue from contracts with customers**

This information is as stated in (p) *Accounting for significant revenue and costs* under 1. Summary of Significant Accounting Policies. Consideration for performance obligation is usually received within one year from the satisfaction of performance obligations and does not include any significant financing component.

**3. Balance of contract assets and liabilities and the transaction price allocated to the remaining performance obligations**

(1) Balance of contract assets and liabilities

As of	May 31, 2022	
	(Millions of yen)	(Thousands of U.S. dollars)
Receivables from contracts with customers (beginning balance)	¥10,280	\$80,183
Receivables from contracts with customers (ending balance)	8,812	68,731
Contract assets (beginning balance)	3,838	29,941
Contract assets (ending balance)	4,415	34,442
Contract liabilities (beginning balance)	34	271
Contract liabilities (ending balance)	47	373

Contract assets relate to the right of the Group to consideration for contracts with customers which have been completed but an invoice has not yet been issued as of the end of the fiscal period. Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers based on the contracts with customers before the performance obligation is satisfied. Contract liabilities are reversed as revenue is recognized.

Revenue recognized in the year ended May 31, 2022 that was included in the contract liability balance at the beginning of the year was ¥27 million (\$212 thousand).

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations as of May 31, 2022 was ¥27,275 million (\$212,739 thousand) and the Group expects to recognize revenue mainly within a period of one to three years as performance obligations for such remaining performance obligations are satisfied.

**Note 21. Segment Information**

The reportable segments of the Group are components for which discrete financial information is available and operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group establishes business units by product and each business unit designs domestic and overseas comprehensive strategies for its products and is developing business activities. Accordingly, the Group consists of the three reportable segments by product based on the business units, which are Transportation Systems, Industrial Systems and Information Equipment Systems.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in "1. Summary of Significant Accounting Policies." Segment profit is evaluated based on operating income.

Inter-segment sales are recorded at the same prices used in transactions with third parties.

	For the year ended May 31, 2022						
	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)			
	(Millions of yen)						
Sales, profits or losses and asset by reportable segment							
Net sales:							
Sales to third parties	¥19,456	¥ 9,902	¥790	¥ 9	¥30,158	¥ —	¥30,158
Inter-segment sales and transfers	10	0	—	329	340	(340)	—
	19,467	9,903	790	338	30,499	(340)	30,158
Segment profit	¥ 2,190	¥ 477	¥142	¥(19)	¥ 2,791	¥(2,619)	¥ 171
Segment assets	¥16,276	¥10,068	691	¥434	¥27,471	¥19,444	¥46,916
Other items:							
Depreciation	¥ 513	¥ 470	¥ 21	¥ 3	¥ 1,008	¥ 248	¥ 1,257
Capital expenditures	¥ 164	¥ 115	¥ 4	¥ —	¥ 284	¥ 31	¥ 315

For the year ended May 31, 2022

	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)			
(Thousands of U.S. dollars)							
Sales, profits or losses and asset by reportable segment							
Net sales:							
Sales to third parties	\$151,755	\$77,238	\$6,163	\$ 71	\$235,229	\$ —	\$235,229
Inter-segment sales and transfers	82	6	—	2,568	2,656	(2,656)	—
	151,838	77,244	6,163	2,639	237,886	(2,656)	235,229
Segment profit	\$ 17,081	\$ 3,727	\$1,114	\$ (149)	\$ 21,774	\$ (20,433)	\$ 1,340
Segment assets	\$126,955	\$78,532	\$5,393	\$3,391	\$214,272	\$151,659	\$365,932
Other items:							
Depreciation	\$ 4,003	\$ 3,667	\$ 170	\$ 26	\$ 7,869	\$ 1,935	\$ 9,804
Capital expenditures	\$ 1,282	\$ 900	\$ 37	\$ —	\$ 2,220	\$ 243	\$ 2,463

Note: "Other" represents business units which are not included in reportable segments and consists of worker dispatching services related activities, etc.

For the year ended May 31, 2021

	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)			
(Millions of yen)							
Sales, profits or losses and asset by reportable segment							
Net sales:							
Sales to third parties	¥21,528	¥10,541	¥1,067	¥ 5	¥33,143	¥ —	¥33,143
Inter-segment sales and transfers	50	0	—	346	397	(397)	—
	21,579	10,542	1,067	352	33,541	(397)	33,143
Segment profit	¥ 2,211	¥ 718	¥ 267	¥ (39)	¥ 3,157	¥ (2,734)	¥ 423
Segment assets	¥17,151	¥13,838	¥ 674	¥479	¥32,144	¥19,822	¥51,967
Other items:							
Depreciation	¥ 607	¥ 527	¥ 25	¥ 4	¥ 1,165	¥ 247	¥ 1,413
Capital expenditures	¥ 454	¥ 113	¥ 10	¥ 2	¥ 580	¥ 51	¥ 632

Note: "Other" represents business units which are not included in reportable segments and consists of worker dispatching services related activities, etc.

**Geographical information**

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended May 31, 2022 and 2021 were summarized as follows:

For the Years Ended	May 31, 2022	May 31, 2021	May 31, 2022
	(Millions of yen)		(Thousands of U.S. dollars)
Japan	¥25,779	¥27,876	\$201,072
China	3,015	3,628	23,521
Other	1,363	1,638	10,635
Consolidated	¥30,158	¥33,143	\$235,229

Note: Net sales information above is based on customers' location.

**Major customer information**

Major customer information for the years ended May 31, 2022 and 2021 was omitted since there was no customer to which sales exceeds 10% of net sales recorded in the accompanying consolidated statements of income.

**Information about impairment loss on property, plant and equipment**

	For the year ended May 31, 2022						
	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)			
Impairment loss	¥—	¥2,256	¥—	¥—	¥2,256	¥—	¥2,256
(Millions of yen)							
	For the year ended May 31, 2022						
	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)			
Impairment loss	\$—	\$17,596	\$—	\$—	\$17,596	\$—	\$17,596
(Thousands of U.S. dollars)							

There was no applicable information for the year ended May 31, 2021.

**Note 22. Significant Subsequent Events**

There were no significant subsequent events to be noted.