Financial Information

YKK Group Consolidated Financial Information (YKK and 105 Consolidated Subsidiary Companies)

Consolidated Balance Sheet

(Millions of yen)

	Prior Fiscal Year (Ended March 31, 2021)	Current Fiscal Year (Ended March 31, 2022)
Assets		
Current assets		
Cash and deposits	214,483	266,275
Notes and accounts receivable	171,453	–
Notes, accounts receivable, and contract assets	–	196,130
Securities	640	4,218
Inventories	131,394	165,982
Other	24,335	35,600
Allowance for doubtful accounts	(2,572)	(2,506)
Total current assets	539,734	665,701
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	446,491	467,459
Accumulated depreciation	(294,737)	(314,735)
Buildings and structures, net	151,754	152,724
Machinery, equipment and vehicles	638,643	681,971
Accumulated depreciation	(500,152)	(546,286)
Machinery, equipment and vehicles, net	138,490	135,685
Land	62,892	64,833
Construction in progress	14,725	14,765
Other	115,531	124,268
Accumulated depreciation	(86,389)	(95,035)
Other, net	29,142	29,232
Total property, plant and equipment	397,005	397,242
Intangible assets	25,379	26,453
Investments and other assets:		
Investment securities	29,739	35,933
Deferred tax assets	12,182	15,132
Other	11,883	17,452
Allowance for doubtful accounts	(1,007)	(974)
Total investments and other assets	52,798	67,544
Total noncurrent assets	475,183	491,239
Total assets	1,014,918	1,156,941

Consolidated Balance Sheet

(Millions of yen)

	Prior Fiscal Year (Ended March 31, 2021)	Current Fiscal Year (Ended March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	61,808	76,507
Short-term borrowings	4,314	4,677
Current portion of long-term loans payable	2,003	6
Income taxes payable	5,756	6,524
Provision for bonuses	15,567	18,973
Deposits received from employees	35,945	36,707
Other	55,373	69,210
Total current liabilities	180,770	212,606
Noncurrent liabilities		
Corporate bonds	10,000	10,000
Long-term borrowings	17	2,027
Deferred tax liabilities	3,591	7,318
Retirement benefit liabilities	70,762	73,003
Provision for directors' retirement benefits	449	509
Other	13,799	14,212
Total noncurrent liabilities	98,620	107,071
Total liabilities	279,390	319,677
Net assets		
Shareholders' equity		
Capital stock	11,992	11,992
Capital surplus	35,360	35,364
Retained earnings	719,828	761,048
Treasury stock	(18)	(20)
Total shareholders' equity	767,162	808,384
Accumulated other comprehensive income		
Valuation difference on other securities	6,607	13,619
Deferred gains/losses on hedges	959	2,872
Foreign currency translation adjustment	(23,768)	24,086
Remeasurements of defined benefit plans	(32,608)	(31,306)
Total accumulated other comprehensive income	(48,809)	9,270
Non-controlling interests	17,174	19,608
Total net assets	735,527	837,264
Total liabilities and net assets	1,014,918	1,156,941

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Fiscal Year (From April 1, 2021 to March 31, 2022)
Net sales	653,765	797,019
Cost of sales	429,243	518,713
Gross profit	224,522	278,305
Selling, general and administrative expenses	198,176	218,144
Operating income	26,346	60,161
Non-operating income		
Interest income	1,424	1,765
Dividends income	615	656
Subsidy income	3,894	322
Foreign exchange gains	–	1,072
Miscellaneous income	3,381	2,968
Total non-operating income	9,315	6,784
Non-operating expenses		
Interest expenses	824	837
Foreign exchange losses	1,234	–
Valuation loss on derivatives	1,151	565
Miscellaneous loss	2,316	1,578
Total non-operating expenses	5,527	2,981
Ordinary income	30,134	63,964
Extraordinary income		
Gain on sales of noncurrent assets	804	286
Other	1	4
Total extraordinary income	805	290
Extraordinary loss		
Loss on sale of noncurrent assets	157	21
Loss on retirement of noncurrent assets	1,804	2,425
Loss due to COVID-19	1,069	202
Loss on valuation of investment securities	1,037	533
Expenses for business structure reform	–	484
Loss due to disasters	360	590
Other	596	477
Total extraordinary loss	5,025	4,734
Income before income taxes and non-controlling interests	25,914	59,520
Income taxes-current	9,196	16,231
Income taxes-deferred	(1,117)	(1,882)
Total income taxes	8,079	14,348
Net income	17,834	45,172
Net income attributable to non-controlling interests	494	1,074
Net income attributable to owners of parent	17,340	44,097

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Fiscal Year (From April 1, 2021 to March 31, 2022)
Net income	17,834	45,172
Other comprehensive income		
Valuation difference on other securities	4,063	7,012
Deferred gains/losses on hedges	771	1,912
Foreign currency translation adjustment	26,711	49,555
Adjustment for retirement benefits	26,907	1,409
Total other comprehensive income	58,454	59,889
Comprehensive income	76,289	105,061
Comprehensive income attributable to		
owners of the parent	74,625	102,178
Non-controlling interests	1,663	2,882

Consolidated statement of changes in shareholders' equity

Prior Fiscal Year (From April 1, 2020 to March 31, 2021) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,992	35,360	705,365	(16)	752,701
Changes in items during the period					
Dividends from surplus			(2,877)		(2,877)
Net income attributable to owners of parent			17,340		17,340
Purchase of treasury stock				(1)	(1)
Net changes in items other than shareholders' equity					–
Total changes in items during the period	–	–	14,463	(1)	14,461
Balance at the end of current period	11,992	35,360	719,828	(18)	767,162

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income Total		
Balance at the beginning of current period	2,543	187	(49,450)	(59,377)	(106,096)	15,959	662,564
Changes in items during the period							
Dividends from surplus					–		(2,877)
Net income attributable to owners of parent					–		17,340
Purchase of treasury stock					–		(1)
Net changes in items other than shareholders' equity	4,063	771	25,681	26,769	57,286	1,215	58,501
Total changes in items during the period	4,063	771	25,681	26,769	57,286	1,215	72,963
Balance at the end of current period	6,607	959	(23,768)	(32,608)	(48,809)	17,174	735,527

Consolidated statement of changes in shareholders' equity

Current Fiscal Year (From April 1, 2021 to March 31, 2022) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,992	35,360	719,828	(18)	767,162
Changes in items during the period					
Dividends from surplus			(2,877)		(2,877)
Net income attributable to owners of parent			44,097		44,097
Purchase of treasury stock				(2)	(2)
Change in ownership interest of parent due to transactions with non-controlling interests		3			3
Net changes in items other than shareholders' equity					–
Total changes in items during the period	–	3	41,220	(2)	41,222
Balance at the end of current period	11,992	35,364	761,048	(20)	808,384

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income Total		
Balance at the beginning of current period	6,607	959	(23,768)	(32,608)	(48,809)	17,174	735,527
Changes in items during the period							
Dividends from surplus					–		(2,877)
Net income attributable to owners of parent					–		44,097
Purchase of treasury stock					–		(2)
Change in ownership interest of parent due to transactions with non-controlling interests					–		3
Net changes in items other than shareholders' equity	7,012	1,912	47,855	1,301	58,080	2,433	60,514
Total changes in items during the period	7,012	1,912	47,855	1,301	58,080	2,433	101,736
Balance at the end of current period	13,619	2,872	24,086	(31,306)	9,270	19,608	837,264

Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (From April 1, 2020 to March 31, 2021)	Current Fiscal Year (From April 1, 2021 to March 31, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes and non-controlling interests	25,914	59,520
Depreciation expenses	56,354	57,292
Increase (decrease) in allowance for doubtful accounts	61	(245)
Increase (decrease) in net defined benefit liabilities	(11,733)	2,511
Interest and dividends income	(2,039)	(2,421)
Interest expenses	824	837
Subsidy income	(3,894)	(322)
Loss (gain) on valuation of investment securities	1,037	533
Loss on retirement of property, plant and equipment	816	742
Loss (gain) on sales of property, plant and equipment	(646)	(265)
Decrease (increase) in notes and accounts receivable - trade	8,493	(18,986)
Decrease (increase) in inventories	9,683	(24,846)
Increase (decrease) in notes and accounts payable - trade	(3,814)	12,929
Other	5,575	7,615
Subtotal	86,632	94,893
Interest and dividends income received	2,000	2,216
Interest expenses paid	(835)	(811)
Subsidies received	3,894	322
Income taxes paid	(9,450)	(15,488)
Net cash provided by (used in) operating activities	82,241	81,132
Net cash provided by (used in) investing activities		
Net decrease (increase) in short-term loans receivable	30	(69)
Payments into time deposits	(916)	(6,541)
Proceeds from withdrawal of time deposits	1,761	6,073
Purchase of property, plant and equipment	(38,471)	(33,685)
Proceeds from sales of property, plant and equipment	1,687	903
Purchase of intangible assets	(3,563)	(3,936)
Proceeds from sales of intangible assets	1	–
Purchase of investment securities	(401)	(306)
Proceeds from sales and redemption of investment securities	8	–
Payments from changes in ownership interests in subsidiaries that result in change in scope of consolidation	–	(1,520)
Other	(313)	(1,330)
Net cash provided by (used in) investing activities	(40,176)	(40,414)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(426)	162
Repayments of finance lease obligations	(1,437)	(2,447)
Proceeds from long-term loans payable	18	2,025
Repayments of long-term loans payable	(13)	(2,145)
Purchase of treasury stock	(1)	(2)
Cash dividends paid	(2,872)	(2,880)
Dividends paid to non-controlling interests	(551)	(490)
Net cash provided by (used in) financing activities	(5,284)	(5,776)
Effect of exchange rate change on cash and cash equivalents	9,888	18,319
Net increase (decrease) in cash and cash equivalents	46,669	53,261
Cash and cash equivalents at the beginning of period	164,708	211,378
Cash and cash equivalents at the end of period	211,378	264,639

Notes to the Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

Main consolidated subsidiaries are listed in "4. Overview of Affiliated Companies" under "1. Corporate Overview."

(1) Number of consolidated subsidiaries 105

Number of consolidated subsidiaries increased due to acquisition 1

NITTO Co., Ltd.

Number of consolidated subsidiaries decreased due to liquidation................... 1

YKK AP (SHANGHAI) CO., LTD.

The 105 consolidated subsidiaries also include YKK Holding Europe B.V. and YKK Netherlands B.V.

(2) Number of unconsolidated subsidiaries 5

Name of major unconsolidated subsidiary:

Y2K HOLDINGS CORPORATION

The reason for exclusion from consolidation is as follows:

These companies have been excluded from consolidation because they are small, and their total assets, net sales, net income (amount equivalent to the equity portion held by the Company) and retained earnings (amount equivalent to the equity portion held by the Company) do not have a significant effect on the consolidated financial statements.

2. Application of equity method

(1) Number of companies accounted for using the equity method

Not applicable.

(2) Number of companies not accounted for using the equity method 8

Unconsolidated subsidiaries: 5

Y2K HOLDINGS CORPORATION and others

Affiliated companies: 3

NIIKAWA PORTAL CORPORATION and other

The reason for not applying the equity method is as follows:

These companies are not accounted for using the equity method because their impact is not significant on the consolidated financial statements in terms of their total net income (amount equivalent to the equity portion held by the Company) and retained earnings (amount equivalent to the equity portion held by the Company), and they are not significant as a whole.

3. Accounting period of consolidated subsidiaries

The fiscal year end of certain foreign consolidated subsidiaries, including SHANGHAI YKK ZIPPER CO., LTD., is December 31. These subsidiaries are consolidated using their financial statements as of the parent fiscal year end, which are prepared solely for consolidation purposes.

4. Matters regarding accounting policy

(1) Valuation standards and valuation methods for significant assets

a) Securities

1) Held-to-maturity debt securities

Held-to-maturity debt securities are carried at amortized cost (Straight-line).

2) Other securities

a. Securities other than stocks, etc., without market price

Marketable securities are carried at market price as of the consolidated fiscal year end, with changes in unrealized gains or losses included directly in net assets. Cost of securities sold is determined using the moving average method.

b. Stocks, etc., without market price

Non-marketable securities are carried at cost, which is determined using the moving average method. Some of our consolidated subsidiaries use the discount cash flow method.

b) Derivatives

Derivative financial instruments are stated at fair value.

c) Inventories

Inventories are mainly stated at cost based on the gross average method (the balance sheet amounts are determined including any required write-downs based on any decrease in profitability).

(2) Depreciation of assets

a) Property, plant and equipment (excluding leased assets):

Amortization is calculated using the straight-line method.

The estimated useful lives are as follows:

Buildings and structures	2 - 50 years
Machinery, equipment and vehicles	2 - 15 years

b) Intangible assets (excluding leased assets):

Amortization is calculated using the straight-line method.

Software for internal use is amortized over a period of mainly 5 years using the straight-line method.

c) Leased assets:

Leased assets held under finance lease transactions, where ownership is not transferred

Depreciation of leased assets is calculated using the straight-line method over the lease terms with no residual value.

d) Right-of-use assets

Overseas subsidiaries apply the International Financial Reporting Standards 16 “Leases” (hereinafter, “IFRS 16”). In accordance with IFRS 16, in principle, borrowers in lease transactions record all lease transactions as right-of-use assets, and depreciation and amortization is calculated using the straight-line method.

(3) Basis for significant reserves

a) Allowances for doubtful accounts

Allowances for doubtful accounts are provided at an amount sufficient to cover probable losses on collection. The allowances consist of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the historical actual percentage of collection losses on normal receivables.

b) Provision for bonuses

Accrued bonuses of the Company and its consolidated subsidiaries have been provided based on the estimated amount of bonuses to be paid to employees that relates to the current consolidated fiscal year.

c) Provision for directors’ retirement benefits

Provision for directors’ retirement benefits of the Company and certain domestic consolidated subsidiaries has been made at an amount to be required at the current consolidated fiscal year end based on the Company’s bylaws.

(4) Accounting for retirement benefits

a) Attribution to periods of expected retirement benefits

The Company and its domestic consolidated subsidiaries calculate retirement benefits obligations by using the straight-line attribution method to attribute expected benefits to the periods up to the current fiscal year.

b) Amortization of actuarial gains and losses and past service costs

The Company and its domestic consolidated subsidiaries amortize past service costs using the straight-line method over the average remaining years (8 to 22 years) of service of eligible employees.

Amortization of actuarial gains or losses begins in the consolidated fiscal year after the fiscal year in which the gain or loss is recognized, and is recorded using the straight-line method over a period within the average remaining years (8-22 years) of service of eligible employees at the time of occurrence in each consolidated fiscal year.

(5) Reporting of significant revenues and expenses

The following describes (1) the contents of the major performance of obligations in the main business related to the revenue generated from the contracts with customers of the Company and its consolidated subsidiaries and (2) the normal time points (normal time points for recognizing the revenue) to satisfy the performance of obligations.

a) Fastening Business

The Fastening Business conducts manufacturing and sales of fastening products, etc. In domestic sales, control of the product is transferred to the customer at the time of delivery and the performance of obligation is satisfied. However, since the period from the time of shipment to the time of delivery is short, we recognize the revenue on the shipping date. In export sales, we recognize revenue on the shipping date because important risks and economic values associated with possession of the product are transferred to the customer at the time of shipment and the performance of obligation is satisfied.

Revenue is measured by deducting returns, discounts, rebates, etc., from the consideration promised in the contract with the customer.

The consideration for the transaction is received within a short period of time after the performance of obligation is satisfied, and does not include any significant financial components.

b) AP Business

i. Sales of goods

The AP Business conducts manufacturing and sales of construction material products. Control of the product is transferred to the customer at the time of delivery and the performance of obligation is satisfied. However, since the period from the time of shipment to the time of delivery is short, we recognize the revenue on the shipping date.

Revenue is measured by deducting returns, discounts, rebates, etc., from the consideration promised in the contract with the customer.

The consideration for the transaction is received within a short period of time after the performance of obligation is satisfied, and does not include any significant financial components.

ii. Construction contracts

The AP Business installs curtain walls, windows, sashes, etc. For construction contracts where it is possible to reasonably estimate the progress of fulfilling the performance of obligations, we use the input method to reasonably estimate the progress of construction. We recognize revenue over a certain period of time based on the progress. On the other hand, for construction contracts where it is not possible to reasonably estimate the progress of fulfilling the performance of obligations, we use the cost recovery method to recognize revenue over a certain period of time. However, if the period from the transaction start date in the construction contract to the time when the performance of obligation is expected to be fully satisfied is very short, we recognize revenue when the performance of obligation is completely satisfied.

For construction contracts where the total estimated construction cost exceeds the total amount of the construction contract, the excess amount is immediately recognized as an expense.

There is a short gap between the time that the perform of obligation is satisfied and the consideration for the transaction is received. It does not include any significant financial components.

(6) Translation of significant assets and liabilities denominated in foreign currencies into yen

Current and noncurrent receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect on the final day of the consolidated fiscal year, and differences arising from the translation are treated as loss or gain on exchange. All asset and liability accounts of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the consolidated fiscal year end, and all income and expense accounts are translated into yen at the average exchange rate during the year. Differences arising from the translation are presented as foreign currency translation adjustments and non-controlling interests in net assets.

(7) Hedge accounting

a) Hedge accounting

Deferral hedge accounting is adopted, in principle. Forward foreign exchange contracts are subject to appropriation if they satisfy the requirements for appropriation treatment.

b) Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting is adopted in the current consolidated fiscal year are as follows:

Hedging instruments: Forward foreign exchange contracts

Hedged items: Payables denominated in foreign currencies, forecast transactions denominated in foreign currencies.

c) Hedging policy

Foreign exchange fluctuation risk is hedged in accordance with the Company's basic policy related to risk management.

d) Assessment of hedge effectiveness

Hedge effectiveness is assessed quarterly, based on the change in fair value of hedged items and the change in fair value of hedging instruments. Forward foreign exchange contracts, which are subject to appropriation treatment, are excluded from the assessment of hedge effectiveness.

(8) Goodwill amortization method and period

In principle, goodwill is amortized using the straight-line method over an estimated effective period from the date of occurrence. When the amount of goodwill is insignificant, goodwill is fully expensed in the period in which it arises. When the amount of goodwill is insignificant, goodwill is fully expensed in the period in which it arises.

(9) Cash and cash equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents consist of cash on hand, cash at banks that can be withdrawn at any time, and short-term investments with a maturity of 3 months or less when purchased that can easily be converted to cash and are subject to little risk of change in value.

(10) Other significant accounting policies of the Consolidated Financial Statements

Application of tax effect accounting to the transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and some of our domestic consolidated subsidiaries will transition from the Consolidated Taxation System to the Group Tax Sharing System from the next consolidated fiscal year. In conjunction with transitioning to the Group Tax Sharing System which was established by the Act on Partial Revision of the Income Tax Act (Act No. 8 of 2020), and in the case of items for which the non-consolidated tax system was reviewed in conjunction with transition to the Group Tax Sharing System, provisions in Article 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018) are not applied as per treatment defined in Item 3 of the PITF No. 39 Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (March 31, 2020). The amount of deferred tax assets and deferred tax liabilities are based on tax law rules prior to the amendment.

From the beginning of the next consolidated fiscal year, we plan to apply the PITF No. 42 Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (August 12, 2021), which stipulates the corporate tax and local corporate tax when applying the Group Tax Sharing System, as well as accounting treatment and disclosure for tax effect accounting.

(Changes to accounting policy)

(Application of the Accounting Standard for Revenue Recognition)

We have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Standard"), etc., from the beginning of the current fiscal year. At the point in time that control of the promised goods or services is transferred to the customer, we recognize the revenue in the amount expected to be received in exchange for those goods or services.

When applying the Revenue Recognition Standard, etc., we follow the transitional treatment stipulated in the proviso of Article 84 of the Revenue Recognition Standard. However, there is no cumulative effect on retained earnings in the case of retroactive application of new accounting policy before the beginning of the current fiscal year.

Also, the impact on consolidated financial statements due to the Revenue Recognition Standard is immaterial.

Due to the application of the Revenue Recognition Standard, etc., the item "Notes and accounts receivable" that was displayed in "Current assets" in the consolidated balance sheet of the previous fiscal year is now included in "Notes, accounts receivable, and contract assets" from the current fiscal year. However, in accordance with the transitional treatment prescribed in Article 89-2 of the Revenue Recognition Standard, we have not reclassified the previous fiscal year using the new display method.

Also, in accordance with the transitional treatment prescribed in Article 89-3 of the Revenue Recognition Standard, notes on "Related to revenue recognition" related to the previous fiscal year are not included.

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

We have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Fair Value Standard"), etc., from the beginning of the current fiscal year. In accordance with the transitional treatment prescribed in Article 19 of the Fair Value Standard and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we are applying into the future the new accounting policy stipulated by the Fair Value Standard.

However, the application of the Fair Value Standard, etc., has no impact on the consolidated financial statements.

In the notes on "Financial Instruments," we now list items related to the breakdown by level of fair value of financial instruments, etc. Also, in accordance with the transitional treatment prescribed in Article 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), we do not include items related to the previous fiscal year in the notes.

(Unapplied accounting standards, etc.)

· Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, issued by the ASBJ on June 17, 2021)

(1) Overview

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31) was amended on June 17, 2021. At the time that the amendment was announced on July 4, 2019, it is assumed that a certain period of time is required for discussion, etc., with related parties during review related to the calculation of fair value of investment trusts. Furthermore, a certain amount of review is required for notes on the fair value for investment in unions, etc., that record the net amount of equity in the balance sheet. Therefore, the Implementation Guidance on Accounting Standard for Fair Value Measurement was amended and announced after about one year of deliberation after the announcement of the Accounting Standard for Fair Value Measurement.

(2) Scheduled application date

Standards will be applied from the beginning of the fiscal year ending March 31, 2023.

(3) Impact of applying the accounting standards, etc.

The application of the Implementation Guidance on Accounting Standard for Fair Value Measurement has no impact on the consolidated financial statements.

Segment information

1. Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance. Each business unit of the Group formulates comprehensive domestic and overseas strategies for the products it handles and develops business activities.

Accordingly, the Group is composed of product segments based on business, with the two reportable segments of the “Fastening Products” business and the “AP” business. The “Fastening Products” business manufactures and sells zippers, zipper parts, zipper materials, snaps fasteners, buttons, etc. The “AP” business designs, manufactures, installs and sells residential windows and sashes, windows and sashes for commercial buildings, interior furnishings, exterior materials, shaped products, and, construction components.

From the current fiscal year, numbers for new segment information due to organizational restructuring are listed. Therefore, segment information for the previous fiscal year is disclosed based on the classification of the reportable segment information after the restructuring.

2. Calculation method for the amount of net sales, income or loss amounts, assets, liabilities, and other items by reportable segment

Reportable segment income is the value for operating income.

Intersegment net sales and transfers are mainly recorded at market prices and the cost of goods manufactured.

3. Information by reportable segment on net sales, income or loss amounts, assets, liabilities, and other items

Prior Fiscal Year (From April 1, 2020 to March 31, 2021) (Millions of yen)

	Reportable segments			Other *1	Adjustments *2	Amount listed on consolidated balance sheet *3
	Fastening Products	AP	Total			
Net sales						
Sales to third parties	247,018	402,769	649,788	3,977	–	653,765
Intersegment net sales and transfers	378	114	493	17,634	(18,128)	–
Total	247,397	402,884	650,281	21,612	(18,128)	653,765
Segment income	6,038	20,488	26,526	1,279	(1,459)	26,346
Segment assets	573,932	386,482	960,414	55,950	(1,447)	1,014,918
Other items						
Depreciation expenses	35,056	17,848	52,904	1,331	2,118	56,354
Increase in tangible and intangible assets	23,711	14,891	38,602	319	856	39,779

(Notes) 1. Other includes business activities such as real estate, aluminum smelting, etc.

2. (1) Adjustments for segment income of (1,459) million yen include a 3,420 million yen elimination of intersegment transactions and (4,968) million yen of operating expenses not allocable to reportable segments. Operating expenses not allocable to reportable segments include those related to company-wide shared departments of the Company.

(2) Adjustments for segment assets of (1,447) million yen include a (62,038) million yen elimination of receivables due from company-wide shared departments throughout the company, 281,845 million yen of company-wide assets not allocable to reportable segments, and a (63) million yen adjustment for inventory assets.

3. Segment income has been reconciled to operating income represented in the Consolidated Statements of Income.

Current Fiscal Year (From April 1, 2021 to March 31, 2022) (Millions of yen)

	Reportable segments			Other *1	Adjustments *2	Amount listed on consolidated balance sheet *3
	Fastening Products	AP	Total			
Net sales						
Sales to third parties	346,234	446,172	792,407	4,611	–	797,019
Intersegment net sales and transfers	1,962	188	2,150	21,923	(24,074)	–
Total	348,197	446,360	794,558	26,535	(24,074)	797,019
Segment income	42,367	17,375	59,742	1,695	(1,277)	60,161
Segment assets	632,989	426,844	1,059,834	71,115	25,991	1,156,941
Other items						
Depreciation expenses	36,399	18,112	54,512	1,268	1,511	57,292
Increase in tangible and intangible assets	20,251	20,606	40,858	773	1,812	43,444

(Notes) 1. Other includes business activities such as real estate, aluminum smelting, etc.
2. (1) Adjustments for segment income of (1,277) million yen include a 2,850 million yen elimination of intersegment transactions and (5,395) million yen of operating expenses not allocable to reportable segments. Operating expenses not allocable to reportable segments include those related to company-wide shared departments.
(2) Adjustments for segment assets of 25,991 million yen include a (64,698) million yen elimination of receivables due from head office administrative departments, 299,436 million yen of company-wide assets not allocable to reportable segments, and a (413) million yen adjustment for inventory assets.
3. Segment income has been reconciled to operating income represented in the Consolidated Statements of Income.