

Consolidated Balance Sheet March 31, 2021

ASSETS	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
CURRENT ASSETS:			
Cash and cash equivalents (Note 9)	¥ 11,316,241	¥ 10,514,634	\$ 102,215
Receivables (Notes 9):			
Trade notes	11,277,369	11,546,296	101,864
Trade accounts	41,197,198	38,480,701	372,118
Unconsolidated subsidiaries and associated companies	1,533,432	1,258,372	13,850
Other	1,954,946	2,480,492	17,658
Allowance for doubtful receivables	(277,209)	(218,775)	(2,503)
Inventories	24,202,159	21,652,605	218,608
Other current assets	<u>7,011,129</u>	<u>5,950,320</u>	<u>63,328</u>
Total current assets	<u>98,215,267</u>	<u>91,664,647</u>	<u>887,139</u>
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	3,450,813	3,445,290	31,169
Buildings and structures	6,412,103	5,884,648	57,918
Machinery and equipment	10,315,464	7,366,936	93,175
Furniture and fixtures	1,510,682	1,274,814	13,645
Lease assets	470,996	580,706	4,254
Construction in progress	<u>486,338</u>	<u>3,087,458</u>	<u>4,392</u>
Total property, plant and equipment	<u>22,646,400</u>	<u>21,639,855</u>	<u>204,556</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 9)	66,271,976	45,703,860	598,608
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 9)	2,459,804	2,979,904	22,218
Goodwill	747,868	825,126	6,755
Asset for retirement benefits	1,254,726	956,270	11,333
Deferred tax assets	386,278	327,912	3,489
Other assets	<u>1,634,489</u>	<u>1,587,310</u>	<u>14,763</u>
Total investments and other assets	<u>72,755,143</u>	<u>52,380,383</u>	<u>657,168</u>
TOTAL	<u>¥ 193,616,810</u>	<u>¥ 165,684,886</u>	<u>\$ 1,748,864</u>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
CURRENT LIABILITIES:			
Short-term bank loans (Note 9)	¥ 20,049,641	¥ 20,119,515	\$ 181,100
Current portion of long-term debt (Note 9)	12,330,126	12,798,919	111,373
Payables (Notes 5 and 9):			
Trade notes	1,451,143	1,468,493	13,107
Trade accounts	29,972,270	28,351,051	270,727
Unconsolidated subsidiaries and associated companies	528,414	175,289	4,772
Other	4,655,350	4,302,793	42,049
Income taxes payable	2,093,562	1,097,197	18,910
Other current liabilities	4,274,329	3,357,610	38,608
Total current liabilities	75,354,839	71,670,869	680,650
LONG-TERM LIABILITIES:			
Long-term debt (Note 9)	38,536,644	37,216,103	348,086
Liability for retirement benefits	1,873,103	1,998,765	16,919
Deferred tax liabilities	8,710,105	3,503,160	78,674
Other	754,755	598,479	6,817
Total long-term liabilities	49,874,609	43,316,507	450,497
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)			
EQUITY (Notes 8 and 10):			
Capital stock—authorized, 68,000,000 shares:			
issued, 34,000,000 shares in 2021 and 2020	5,100,000	5,100,000	46,066
Additional paid-in capital	51,198	51,334	462
Retained earnings	47,311,605	42,918,184	427,347
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	17,362,565	4,741,130	156,829
Deferred gains or losses on hedges	(45,797)	(5,116)	(413)
Foreign currency translation adjustments	(1,535,801)	(1,990,953)	(13,872)
Defined retirement benefit plans	108,057	(169,981)	976
Total	68,351,828	50,644,598	617,395
Noncontrolling interests	35,533	52,911	320
Total equity	68,387,362	50,697,509	617,716
TOTAL	¥ 193,616,810	¥ 165,684,886	\$ 1,748,864

Consolidated Statement of Income

Year Ended March 31, 2021

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET SALES	¥ 176,893,292	¥ 189,314,208	\$ 1,597,807
COST OF SALES	<u>154,862,730</u>	<u>165,732,178</u>	<u>1,398,814</u>
Gross profit	22,030,561	23,582,029	198,993
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>15,939,582</u>	<u>16,345,709</u>	<u>143,975</u>
Operating income	<u>6,090,978</u>	<u>7,236,320</u>	<u>55,017</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	830,241	843,343	7,499
Interest expense	(604,900)	(787,721)	(5,463)
Foreign exchange gain	267,004	203,851	2,411
Gain on sales of investment securities	2,655,411	1,924,612	23,985
Gain on return of assets from retirement benefits trust		1,458,965	
Loss on valuation of investment securities	(720,230)	(1,524,588)	(6,505)
Provision of allowance for doubtful accounts	96,992	(74,533)	876
Impairment loss		(1,031,189)	
Other—net	<u>(960,346)</u>	<u>(320,634)</u>	<u>(8,674)</u>
Other income—net	<u>1,564,172</u>	<u>692,107</u>	<u>14,128</u>
INCOME BEFORE INCOME TAXES	<u>7,655,151</u>	<u>7,928,427</u>	<u>69,145</u>
INCOME TAXES:			
Current	3,280,478	2,888,458	29,631
Deferred	<u>(489,197)</u>	<u>869,615</u>	<u>(4,418)</u>
Total income taxes	<u>2,791,281</u>	<u>3,758,073</u>	<u>25,212</u>
NET INCOME	4,863,870	4,170,354	43,933
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(5,550)</u>	<u>(1,269)</u>	<u>(50)</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 4,869,420</u>	<u>¥ 4,171,623</u>	<u>\$ 43,983</u>
	Yen		U.S. Dollars
PER SHARE:			
Basic net income	¥ 143.22	¥ 126.01	\$ 1.29
Cash dividends applicable to the year	14.00	24.00	0.13

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by CBC Co., Ltd. (the "Company"), in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations and in accordance with accounting principles generally accepted in Japan. The information provided in the notes to the consolidated financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein. Japanese yen figures less than a thousand yen are rounded down to the nearest thousand yen.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Consolidation

(1) *The number and names of major consolidated subsidiaries*

Consolidated subsidiaries: 23

Names of major consolidated subsidiaries:

CBC AMERICA HOLDING Corp.
CBC (EUROPE) GmbH
CBC (SHANGHAI) Trading Co., Ltd.
CBC (HONG KONG) Co., Ltd.
Procos S.p.A.

CBC China Co., Ltd. has been included in the scope of consolidation since the current fiscal year because it was established as a subsidiary.

CBC Holdings Co., Ltd. has been excluded from the scope of consolidation because it was merged with the Company.

(2) Name of the major nonconsolidated subsidiary

CBC OPTICS Co., Ltd.

CBC OPTICS Co., Ltd. is categorized as a nonconsolidated subsidiary because it is small in scale, and has an insignificant impact on total assets, net sales, net income (the portion that the Company holds), retained earnings (the portion that the Company holds), etc., of the Company's consolidated financial statements.

b. Application of the Equity Method

(1) The number and names of major associated companies to which the equity method is applied

Number of associated companies to which the equity method is applied: 2

Names of companies:

TAIYO KAGAKU INDIA PRIVATE Ltd.
MRT Resins (Thailand) Co., Ltd.

(2) *Names of the nonconsolidated subsidiary and the associated company to which the equity method is not applied*

Names of major companies:

(Nonconsolidated subsidiary)

CBC OPTICS Co., Ltd.

(Associated company)

Nano Cube Japan Co., Ltd.

Reason for not applying the equity method:

The Company did not apply the equity method to the above nonconsolidated subsidiary and associated company because the financial figures such as net income (the portion that the Company holds), retained earnings (the portion that the Company holds) and others are insignificant in comparison with the Company's consolidated financial statements.

c. Fiscal Year-End of the Consolidated Subsidiaries

The balance sheet date of all the consolidated subsidiaries other than CBC Corporation (India) Private Limited is December 31. In order to prepare the consolidated financial statements, financial statements based on the latest fiscal year-end are used and significant transactions that occurred between the latest balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation.

d. Valuation Basis and Method for Assets

(1) *Valuation basis and method for securities*

Available-for-sale securities:

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

(2) *Valuation basis and method for inventories*

Inventories are stated at the lower of cost, mainly determined by the moving-average method, or net selling value.

(3) *Valuation basis and method for derivatives*

Derivatives are primarily recorded at market value.

e. Depreciation and Amortization

(1) *Property, plant and equipment (except for lease assets)*

Depreciation of the Company is computed by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Depreciation of consolidated subsidiaries in foreign countries is computed by the straight-line method.

The ranges of estimated useful lives are as follows:

Buildings and structures:	6 to 65 years
Machinery and equipment:	2 to 19 years
Furniture and fixtures:	2 to 20 years

(2) *Intangible assets (except for lease assets)*

Amortization is computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over the estimated useful life of five years.

(3) *Lease assets*

For depreciation of leased assets under finance leases that do not transfer ownership of leased properties, the Company applies the straight-line method over the lease term with a residual value stated in the contract or a residual value of zero.

f. Accounting Policies for Reserves

(1) Allowance for doubtful receivables

The allowance for doubtful receivables is stated at amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(2) Accrued employees' bonuses

Bonuses to employees are accrued in the year to which such bonuses are attributable.

(3) Accrued directors' bonuses

Bonuses to corporate officers and executive officers are accrued in the year to which such bonuses are attributable.

(4) Allowance for retirement benefits to corporate officers and executive officers

Allowances for retirement benefits to corporate officers and executive officers of the Company are calculated to state the liability at the amount that would be required if all corporate officers and executive officers terminated their services with the Company at the balance sheet date.

g. Policy for Hedge Accounting

(1) Hedge accounting policy

The Company and consolidated subsidiaries (the "Group") use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. The derivative financial instruments which qualify for hedge accounting are measured at fair value at the balance sheet date, and unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting as a separate component of equity.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

(2) *Derivative transactions (hedging instruments) and hedged item*

Derivative transactions (hedging instruments):	Interest rate swaps, foreign exchange forward contracts and borrowing in foreign currency
Hedged item:	Long-term debt and foreign currency denominated transactions

(3) *Hedging policy*

Interest rate swaps and foreign exchange forward contracts are utilized in accordance with internal policies to hedge interest rate exposures associated with long-term debt and foreign exchange exposures.

(4) *Evaluation of effectiveness of hedging transaction*

The effectiveness of hedging is determined by comparing the cumulative changes in cash flows of the hedged items and hedging instruments during the period from the inception of the hedge to the date of the effectiveness test. The evaluation of effectiveness of interest rate swaps that qualify for hedge accounting and meet specific matching criteria is omitted.

h. Foreign Currency Translation and Foreign Currency Financial Statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statement of income. The balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for shareholders' equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Differences arising from such translation are shown as "foreign currency translation adjustments" and as "noncontrolling interests" as a separate component of equity.

i. Liability for Employees' Retirement Benefits

Liability for employees' retirement benefits is provided mainly at the amount calculated based on the projected benefit obligations and plan assets at the balance sheet date.

(1) The method of attributing expected retirement benefits to periods

The projected benefit obligations are attributed to periods on a benefit formula basis.

(2) Amortization of actuarial gains and losses and past service cost

Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Past service cost is mainly amortized, starting with the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects.

j. Accounting for Consumption Tax

Consumption tax is excluded from income and expense.

k. Amortization of Goodwill

Insignificant amounts of goodwill are charged to income when incurred. Other goodwill is amortized mainly on a straight-line basis over 15 years.

3. CHANGES IN PRESENTATION METHODS

Application of "Accounting Standard for Disclosure of Accounting Estimates"

"Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standard No. 31, March 31, 2020) has been applied since the current consolidated fiscal year, and "Accounting Estimates" has been disclosed.

4. ACCOUNTING ESTIMATES

Evaluations of Stocks without the Market Price

(1) Amount Presented in the Consolidated Financial Statements

Investment securities (stocks without the market prices) ¥5,506,988 thousand

(2) Information about the contents of the important accounting estimates to affect the item distinguished

The Group holds investment securities for the purpose of maintaining relations or constructing collaborative relationships with the business partners.

In evaluating non-marketable equity securities, the Company considers whether there is a significant decline in real value and the possibility of recovery by comprehensively taking into account the decline in net assets, the progress of business plans, internal information, etc., and determines whether impairment losses are necessary.

As a result, investment securities appraisal loss ¥574,699 thousand has been recognized in the current consolidated fiscal year.

If the assumptions used in these estimates change due to future uncertain economic conditions, an additional investment securities appraisal loss (extraordinary loss) may occur in the consolidated financial statements after the current consolidated fiscal year.

5. ASSETS AND LIABILITIES PLEDGED AS COLLATERAL

	<u>Thousands of Yen</u>
(1) Assets pledged as collateral:	
Investment securities	¥ 11,681,164
(2) Liabilities collateralized:	
Notes and accounts payable—trade	7,698,576

6. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation of property, plant and equipment was ¥23,274,456 thousand as of March 31, 2021.

7. CONTINGENT LIABILITIES

	<u>Thousands of Yen</u>
Guarantee	¥ 252,794
Export draft discounted	180,729

The export draft discounted includes ¥93,506 thousand of a letter of credit, which was unsettled between the banks.

8. EQUITY

(1) *Number of Shares of Issued Stock*

	<u>Number of Shares at March 31, 2021</u>
Issued stock—common stock	30,400,000
Issued stock—class stock	3,600,000

(2) *Dividends*

<u>Date of Resolution</u>	<u>Class of Shares</u>	<u>Thousands of Yen</u>	<u>Yen</u>	<u>Date Attributable to Dividends</u>	<u>Effective Date</u>
		<u>Dividends Payment</u>	<u>Dividends per Share</u>		
The general meeting of shareholders (June 26, 2020)	Common stock and class stock	¥ 476,000	¥ 14.00	As of March 31, 2020	As of July 1, 2020

(3) *Dividends for Which the Effective Date Is after the Year-End*

The proposal for dividends attributable to the year ended March 31, 2021, will be discussed at the general meeting of shareholders on June 25, 2021.

<u>Date of Resolution</u>	<u>Class of Shares</u>	<u>Thousands of Yen</u>	<u>Reserve for Dividends</u>	<u>Yen</u>	<u>Date Attributable to Dividends</u>	<u>Effective Date</u>
		<u>Dividends Payment</u>		<u>Dividends per Share</u>		
The general meeting of shareholders (June 25, 2021)	Common stock and class stock	¥ 578,000	Retained earnings	¥ 17.00	As of March 31, 2021	As of July 1, 2021

9. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Matters Related to the Status of Financial Instruments*

The Group uses financial instruments, mainly bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets,

such as short-term deposits.

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of its internal accounting manual and internal policies. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position of foreign currencies is hedged by using forward foreign currency contracts.

Investment securities are primarily shares of stock. The Group monitors the fair value of listed shares on a semiannual basis.

The primary purpose of debt is securing operating capital (mainly short-term bank loans) and funds required for capital investments (long-term debt). The Company enters into interest rate swap agreements with regard to certain long-term debt in order to effectively limit the Company's interest expense.

Derivative transactions entered into by the Company have been made in accordance with internal policies, which regulate the authorization and credit limit amount.

(2) *Matters Related to the Fair Values of Financial Instruments*

The carrying amounts, fair values and their differences as of March 31, 2021 (consolidated balance sheet date), are as follows:

	<u>Thousands of Yen</u>		
	<u>Carrying Amount*</u>	<u>Fair Value*</u>	<u>Difference</u>
(a) Cash and bank deposits	¥ 12,313,479	¥ 12,313,479	
(b) Notes and accounts receivable	53,078,428	53,078,428	
(c) Accounts receivable—other	1,582,652	1,582,652	
(d) Investment securities— available-for-sale securities	60,754,188	60,754,188	
(e) Notes and accounts payable	(31,941,158)	(31,941,158)	
(f) Short-term bank loans	(20,049,641)	(20,049,641)	
(g) Accounts payable—other	(4,666,021)	(4,666,021)	
(h) Long-term debt	(49,942,605)	(50,093,909)	¥ 151,304
(i) Derivatives	(31,414)	(31,414)	

* Liabilities are disclosed in parentheses.

Notes:

1. Method of calculating the fair values of financial instruments, marketable securities and derivative transactions

(a) Cash and bank deposits, (b) Notes and accounts receivable, and (c) Accounts receivable—other

The carrying values of these assets approximate fair values because of their short maturities.

(d) Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments.

(e) Notes and accounts payable, (f) Short-term bank loans, and (g) Accounts payable—other

The carrying values of these liabilities approximate fair values because of their short maturities.

(h) Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related

to the debt at the Group's assumed corporate discount rate.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income (see (i)).

(i) Derivatives

Derivative transactions to which the Group did not apply hedge accounting (mainly foreign exchange contracts) are measured at the forward exchange rate.

Interest rate swaps that meet specific matching criteria are used to hedge the interest exposure. Fair value of derivative financial instruments is included in fair value of the long-term debt as hedged items (see (h)).

2. Financial instruments whose fair values cannot be reliably determined

	<u>Carrying Amount</u>
	<u>Thousands of Yen</u>
Investment securities—available-for-sale securities	¥ 7,572,157

Since the financial instruments listed above do not have market prices and their fair values or future cash flows cannot be reliably determined, they are not included in "(2) Matters related to the fair values of financial instruments."

3. The current portion of long-term debt is included in long-term debt.

10. PER SHARE DATA

Net assets per share	¥ 2,010.35
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