

Financial Report 2021

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries. Years ended March 31

Business Overview

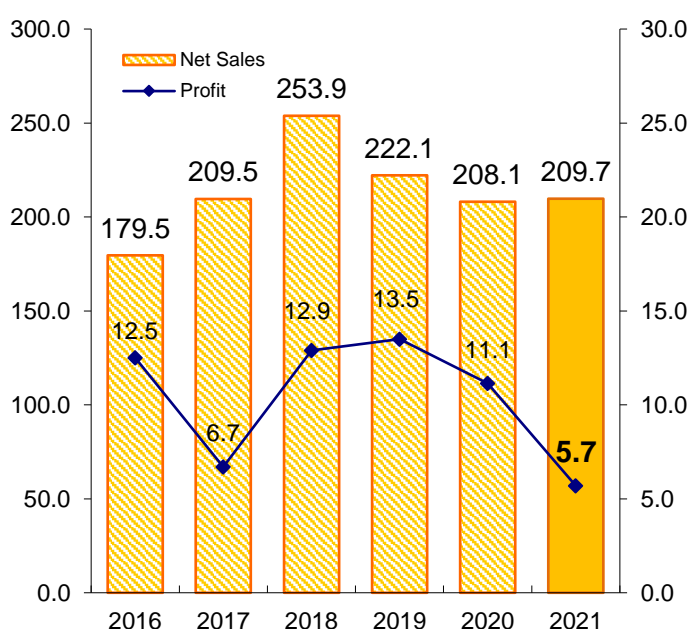
Overview of financial position, operating results and cash flows of the JAE Group (JAE and subsidiaries) for the consolidated fiscal year under review (fiscal year ended March 31, 2021, hereinafter “fiscal 2021”) are outlined below. JAE Group has changed its accounting policy for the calculation method of retirement benefit obligations. Figures that apply the content of retrospective treatment are compared and analyzed with those for the preceding consolidated fiscal year.

During the fiscal year under review, the global economy deteriorated sharply at the beginning of the fiscal year due to regulations such as lockdown conducted by various countries to converge COVID-19, which has spread worldwide. Since Q2, the economy has generally been on a recovery trend, despite repeated restrictions and easing in response to the re-spreading of infection.

With regard to the electronics markets relevant for the JAE Group, demand was also sluggish at the beginning of the fiscal year due to the impact of the spread of COVID-19 infections, but with the recovery of the economy from Q2 onward, the automotive, mobile device, and industrial equipment markets on which we focus, have each started to recover.

Under these circumstances, in Q1 of the fiscal year under review, the Company was forced to record a loss due to sluggish demand in its focus markets and the restrictions on operations at overseas production subsidiaries in the Philippines and Mexico. However, from Q2 onward, the Company captured the recovery demand in its focus markets, particularly in its mainstay Connector Business, and worked to improve results by promoting efficiency in all aspects of management, including securing orders and sales, reducing material costs, controlling various costs, and strengthening in-house production by improving facility efficiency.

As a result, we were able to secure a year-on-year increase in net sales to 209,711 million yen (101% of the previous year). However, profits were significantly affected by the aforementioned deterioration in business performance in Q1, operating profit dropped to 8.706 billion yen (62% of the previous year), ordinary profit was 7.88 billion yen (55% of the previous year) and net profit was 5.692 billion yen (51% of the previous year).



(Years ended March 31)

Years ended March 31	Yen in billions			% of Previous Year	U.S. dollars in millions
	2019	2020	2021 From April 1, 2020 to March 31, 2021		2021 From April 1, 2020 to March 31, 2021
Net sales	¥ 222.1	¥ 208.1	¥ 209.7	101%	\$ 1,889
Gross profit	40.0	36.6	29.3	80%	264
Operating profit	17.30	14.02	8.71	62%	78.4
to sales ratio	7.8%	6.7%	4.2%	(2.5%)	4.2%
Ordinary profit	18.04	14.23	7.88	55%	71.0
to sales ratio	8.1%	6.8%	3.8%	(3.0%)	3.8%
Profit	13.51	11.05	5.69	51%	51.3
to sales ratio	6.1%	5.3%	2.7%	(2.6%)	2.7%
Profit attributable to owners of parent	13.51	11.05	5.69	51%	51.3
to sales ratio	6.1%	5.3%	2.7%	(2.6%)	2.7%

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of JPY 111=U.S.\$1

Sales-by-segment

■ Connector Business: Sales of 185.7 billion yen (101% of the previous year)

At the beginning of the fiscal year, due to the impact of the spread of the COVID-19 infection, demand in the focused markets of automobiles, mobile device, and industrial equipment was sluggish, resulting of Q1 was difficult.

From Q2 onward, the company captured demand in the automotive market, which began to recover. Demand also picked up in the mobile device and industrial equipment markets.

■ User Interface Solutions (UIS) Business: Sales of 10.1 billion yen (112% of previous year)

Production of film sensors for automotive applications in the automotive field expanded, and demand for operation panels for machine tools and work robots in the industrial machinery field increased.

■ Aerospace Business: Sales of 13.3 billion yen (89% of the previous year)

While defense and space products remained at the same level as the previous year, demand of products for oil drilling declined significantly in the industrial machinery sector.

Sales by Business Segment

Years ended March 31	Yen in billions			% of Previous Year	U.S.dollars in millions 2021
	2019	2020	2021		
Connector	197.9	183.6	185.7	101%	\$ 1,673
UIS	8.1	9.0	10.1	112%	91
Aerospace	15.2	14.9	13.3	89%	120
Others	0.8	0.7	0.6	92%	6
Total	222.1	208.1	209.7	101%	1,889
Overseas	157.4	147.5	145.1	98%	1,307
%	70.9%	70.9%	69.2%	—	69.2%
Domestic	64.7	60.6	64.6	107%	582

Operating profit by Business Segment

Years ended March 31	Yen in billions			% of Previous Year	U.S. dollars in millions 2021
	2019	2020	2021		
Connector	19.3	17.3	12.2	70%	\$ 110
UIS	0.4	(0.4)	0.2	—%	1
Aerospace	1.8	1.3	0.3	23%	3
Others	(4.2)	(4.2)	(4.0)	—%	(35)
Total	17.3	14.0	8.7	62%	78

Connector Sales by Segment

Years ended March 31	Yen in billions			% of Previous Year	U.S. dollars in millions 2021
	2019	2020	2021		
Mobile Devices	104.9	100.1	99.7	100%	\$ 899
Automotive	67.7	63.7	63.9	100%	576
Industrial & Infrastructure	18.4	14.8	16.9	114%	152
Others	7.0	5.0	5.2	103%	46
Total	197.9	183.6	185.7	101%	1,673
Overseas	148.0	138.2	137.9	100%	1,242
%	74.8%	75.2%	74.3%	—	74.3%
Domestic	49.9	45.4	47.8	105%	431

Management Policies, Management Environment and Outstanding Issues

(1) JAE's basic management policy

Ever since its establishment, the JAE Group has developed its three businesses of "Connector," "User Interface Solutions," and "Aerospace" on a global scale based on our unique, innovative and highly creative technologies and development capabilities under the corporate philosophy of "Explore, Create, and Practice."

Under the global slogan "Technology to Inspire Innovation," we are focusing on product development and manufacturing that will accelerate the realization of innovation by our customers. In order to gain a high level of trust as partners with our worldwide customers, we are promoting the following basic management policies "global business expansion based on the consolidated management of the JAE Group including all its subsidiaries," "enhancement of global marketing and product development capabilities," and "innovation of product quality and manufacturing technology".

Also, based on the JAE Group Charter of Corporate Behavior, as a good corporate citizen, we will abide by relevant laws and rules, and fulfill social responsibilities toward customers, stockholders and investors, business partners, and other related parties in the community at large.

(2) Medium- and long-term management strategies

Our business environment is undergoing major changes in society and the marketplace, such as acceleration of digital and remote transformation under the COVID-19 pandemic, global progress of decarbonization, and the full-scale penetration of 5G. As for our major markets, major changes are expected in each market. Further advancement of in-vehicle electronics in the automotive market and the development of smart factories and networking of factory automation and machine tools in the industrial and infrastructure markets are expected. In the mobile device market, in addition to demand due to the functional sophistication of smartphones through the adoption of 5G, wearable devices and VR/AR devices are expected to become widespread.

Against this backdrop, JAE Group aims to grow as a company and to contribute to society by our business through leveraging our product and technological development capabilities, in order to realize "an environmentally friendly next-generation mobility and IoT society connected by 5G networks."

In order to achieve this goal, we have formulated a five-year medium-term management plan that begins in FY2021 and ends in FY2025.

As the basic strategy of the medium-term management plan, we will create value that meets the needs of society, and achieve business growth and aim to achieve our management goal of 300 billion yen in revenue and 30 billion yen in ordinary profit in FY 2025. It comes by ① strengthen "technology development and manufacturing capabilities technologies" by capturing market changes and technological evolution in the "3 focused markets" of automotive, industrial and infrastructure, and mobile devices, and ② achieve growth in the "3 core businesses" of Connector, User Interface Solution(UIS), and Aerospace along with launching of "new business domains" such as compact and high-performance antennas.

The JAE Group aims to achieve growth in the Connector Business, the UIS Business, and the Aerospace Business, based on the following medium-to-long term strategies.

1. Connector Business

While maintaining the top-class market share in the mobile device market, which is a cutting-edge market, we aim to grow in the automotive market, where the spread of ADAS, autonomous, EV, etc. is increasing, and in the telecommunications infrastructure market, which is expanding due to the popularization of 5G, and the factory automation equipment/machine tool market which are expected to grow over the medium to long term due to the increasing need for labor saving and automation due to the aging of the population and labor shortage..

2. User Interface Solutions (UIS) Business

In addition to aiming for growth in the capacitive touch panel business for automotive applications, where demand is expanding due to the evolution of automobiles, we also aim to expand sales of operation panels and other products in the industrial equipment market, where improvements in operability are required, by capturing the needs for touch panels suitable for each of the automotive and industrial equipment markets.

3. Aerospace Business

We aim to grow by developing "Motion sensing and Control" technologies, such as accelerometers and gyros, that it has cultivated in the defense and space businesses, into the private market, such as linear motors for semiconductor manufacturing equipment and compact inertial measurement units for automation and remote operation demand in each equipment..

(3) Outstanding issues

The business environment surrounding our group has been recovering since it was significantly affected by COVID-19 at the beginning of the fiscal year, and is expected to continue on an expansionary trend over the medium term.

At present, however, uncertainty about the future cannot be dispelled due to the impact of a shortage of semiconductor supplies on automobile production, inventory adjustment risks in the supply chain, and concerns over the re-expansion of infectious diseases caused by new variants of COVID-19 in various countries.

Under these circumstances, to robust business structure that is strong and can respond quickly amidst changes in the business environment and boost management speeds, we would secure sales and improve profitability by closely monitoring the economic conditions of each countries, market trends, and customer trends, improving productivity at production bases and suppling products stably. Additionally in accordance with (2) above, in order to toward sustainable growth, efforts in growth markets and growth areas including 5G related markets or the automotive market including CASE and further strengthening of product development capabilities and manufacturing technology are important.

In technological development, we need to improve our technological development capabilities and speed up development in line with the advancement of our group-developed and manufactured products, such as high-speed communications by increasing 5G and high-current electric vehicles. We will continue to take steps to enhance simulation technologies, develop human resources for technological development, and promote industry-academia collaboration and alliances.

In the area of manufacturing technologies, we will improve capital investment efficiency by converting to smart factories and innovating production facilities, and also strengthen its global supply chain, including business continuity (BCP) measures.

Consolidated Balance Sheets

Japan Aviation Electronics Industry, Limited, and consolidated subsidiaries Years ended March 31

Assets	Yen in millions		U.S. dollars
	2020	2021	in thousands
	As of March 31	As of March 31	As of March 31
Current assets:			
Cash and deposits	¥ 44,294	¥ 70,086	\$ 631,413
Notes and accounts receivable	46,732	48,150	433,786
Inventories	20,335	21,135	190,414
Other current assets	1,598	1,483	13,367
Allowance for doubtful accounts	(85)	(45)	(408)
Total current assets	112,875	140,811	1,268,573
Property, plant and equipment:			
Land	6,588	6,629	59,725
Buildings and structures	56,161	58,803	529,762
Machinery, equipment and others	192,436	201,654	1,816,706
Construction in progress	7,263	4,909	44,231
Less: Accumulated depreciation and impairment loss	(193,511)	(205,204)	(1,848,687)
Net property, plant and equipment	68,938	66,792	601,738
Investments and long-term loans receivable:			
Investment securities	1,951	2,342	21,102
Shares of subsidiaries and associates	139	139	1,255
Long-term loans receivable	1,123	1,140	10,277
Total investments and long-term loans receivable	3,213	3,622	32,635
Other assets:			
Retirement benefit asset	286	1,444	13,013
Deferred tax assets	4,493	4,088	36,834
Other assets	3,796	3,445	31,036
Allowance for doubtful accounts	(138)	(139)	(1,255)
Total other assets	8,437	8,838	79,629
Total assets	193,464	220,066	1,982,577

Liabilities and net assets	Yen in millions		U.S. dollars
	2020	2021	in thousands
	As of March 31	As of March 31	As of March 31
Current liabilities:			
Short-term borrowings	¥ 3,714	¥ 9,214	\$ 83,009
Notes and accounts payable	37,691	40,201	362,175
Accrued expenses	5,783	6,019	54,227
Income taxes payable	2,341	1,355	12,214
Other current liabilities	1,991	3,283	29,580
Total current liabilities	51,522	60,073	541,206
Non-current liabilities:			
Long-term loans borrowings	2,630	15,416	138,882
Retirement benefit liability	1,747	774	6,980
Other non-current liabilities	1,754	1,741	15,689
Total non-current liabilities	6,131	17,932	161,553
Net assets:			
Capital stock			
At March 31, 2020 - Shares authorized: 350,000,000, shares issued: 92,302,608	10,690		
At March 31, 2021 - Shares authorized: 350,000,000, shares issued: 92,302,608		10,690	96,308
Capital surplus	14,558	14,558	131,156
Retained earnings	111,688	114,652	1,032,905
Less: Treasury shares			
At March 31, 2020 - 1,345,249 shares	(1,024)		
At March 31, 2021 - 1,345,707 shares		(1,025)	(9,237)
Valuation difference on available-for-sale securities	725	1,022	9,214
Foreign currency translation adjustment	(477)	1,125	10,136
Remeasurements of defined benefit plans	(534)	876	7,893
Share acquisition rights	185	159	1,441
Total net assets	135,811	142,059	1,279,817
Total liabilities and net assets	193,464	220,066	1,982,577
Net assets per share	¥ 1,491.09	¥ 1,560.08	\$ 14.055

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 111=U.S.\$1

Consolidated Statements of Income and Retained Earnings

Japan Aviation Electronics Industry, Limited, and consolidated subsidiaries Years ended March 31

U.S. dollars
in thousands

	Yen in millions		U.S. dollars
	2020	2021	2021
Net sales	¥ 208,106	¥ 209,711	\$ 1,889,292
Cost of sales	171,514	180,396	1,625,196
Gross profit	36,592	29,314	264,096
Selling, general and administrative expenses	22,568	20,608	185,661
Operating profit	14,023	8,706	78,434
Other income (expenses):			
Interest expenses	(56)	(94)	(855)
Interest and dividend income	176	279	2,517
Foreign exchange gains (losses)	(206)	(530)	(4,778)
Loss on retirement of non-current assets	(334)	(767)	(6,917)
Other, net	623	288	2,596
	202	(825)	(7,437)
Ordinary profit	14,226	7,880	70,997
Extraordinary Income	733	-	-
Gain on sales of non-current assets	733	-	-
Profit before income taxes	14,959	7,880	70,997
Income taxes-current	3,841	2,441	21,998
Income taxes-deferred	65	(253)	(2,282)
Profit	11,053	5,692	51,281
Profit attributable to owners of parent	11,053	5,692	51,281
Retained earnings:			
Balance at beginning of the year	104,873	111,688	1,006,207
Cumulative effects of changes in accounting policies	(600)	-	-
Restated balance	104,273	111,688	1,006,207
Add:			
Profit attributable to owners of parent	11,053	5,692	51,281
Deduct:			
Dividends of surplus	3,637	2,728	24,583
Balance at end of the year	111,688	114,652	1,032,905
		Yen	U.S. dollars
Net income per share (*1)	¥ 121.54	¥ 62.58	\$ 0.564

(*1) Figures represents profit attributable to owners of the parent.

Consolidated Statements of Cash Flows

Japan Aviation Electronics Industry, Limited, and consolidated subsidiaries Years ended March 31

U.S. dollars
in thousands

	Yen in millions		U.S. dollars
	2020	2021	2021
Net cash provided by (used in) operating activities			
Profit before income taxes	¥ 14,959	¥ 7,880	\$ 70,997
Depreciation and amortization	21,130	21,241	191,367
Increase (decrease) in retirement benefit liability	401	(999)	(9,003)
Loss on retirement of non-current assets	334	767	6,917
Loss (gain) on sales of non-current assets	(733)	-	-
Decrease (increase) in notes and accounts receivable-trade	(3,035)	(3,989)	(35,945)
Decrease (increase) in inventories	(2,585)	(396)	(3,574)
Increase (decrease) in notes and accounts payable-trade	4,767	1,839	16,573
Other, net	(6,656)	2,770	24,958
Net cash provided by (used in) operating activities	28,582	29,114	262,290
Net cash provided by (used in) investing activities			
Purchase of property, plant and equipment	(24,542)	(18,188)	(163,863)
Proceeds from sales of property, plant and equipment	818	17	154
Purchase of investment securities	(2)	(1)	(11)
Other, net	(809)	(629)	(5,668)
Net cash provided by (used in) investing activities	(24,536)	(18,802)	(169,388)
Net cash provided by (used in) financing activities			
Proceeds from long-term borrowings	-	20,000	180,180
Repayments of long-term borrowings	(2,914)	(1,714)	(15,445)
Dividends paid	(3,637)	(2,728)	(24,583)
Other, net	(3)	(102)	(922)
Net cash provided by (used in) financing activities	(6,554)	15,454	139,229
Effect of exchange rate change on cash and cash equivalents	(389)	25	231
Net increase (decrease) in cash and cash equivalents	(2,897)	25,792	232,363
Cash and cash equivalents at beginning of period	47,192	44,294	399,050
Cash and cash equivalents at end of period	44,294	70,086	631,413
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest expenses paid	55	95	855
Income taxes paid	3,273	3,468	31,246

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 111=U.S.\$1

Notes to Consolidated Financial Statements

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries Years ended March 31

1. Basis of presenting consolidated financial statements

Japan Aviation Electronics Industry, Limited (the "Company"), a Japanese corporation and its domestic subsidiaries maintain their records and prepare financial statements in Japanese yen in conformity with accounting principles generally accepted in Japan.

Overseas consolidated subsidiaries prepare financial statements in accordance with either Accounting Standards generally accepted in the United States of America or International Financial Reporting Standards.

The accompanying consolidated financial statements are basically an English version of those that have been prepared for Japanese domestic purposes in accordance with the provisions of the Financial Instruments and Exchange Law of Japan, and filed with the Ministry of Finance Japan, and the Tokyo Stock Exchange. Certain modifications, including presentation of the statements of net assets and the cash flows have been made in the accompanying financial statements to facilitate understanding by readers outside Japan.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers and have been calculated at the rate of ¥111=U.S.\$1.

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 18

The consolidated subsidiaries are as follows: JAE Hirosaki, Ltd., JAE Yamagata, Ltd., JAE Fuji, Ltd., JAE Shinshu, Ltd., Meiyu - Giken Co., Ltd., JAE Taiwan, Ltd., JAE Oregon, Inc., Nikko Logistics, Corp., JAE Hakko Ltd., JAE Electronics, Inc., JAE Philippines, Inc., JAE Hong Kong, Ltd., JAE Singapore Pte Ltd., JAE Europe, Ltd., JAE Wuxi Co., Ltd., JAE Korea, Inc., JAE Wujiang Co., Ltd. and JAE Shanghai Co., Ltd.

(2) Number of non-consolidated subsidiaries: 6

The non-consolidated subsidiaries are as follows: JAE Business Support, Ltd., JAE Foods, Ltd., Hirosaki Hakko Co., Ltd., JAE Houston, LLC, JAE Tijuana, S. A. de C. V. and JAE Dongguan Service Co., Ltd.

(3) Reason for exclusion of non-consolidated subsidiaries from scope of consolidation

The 6 non-consolidated subsidiaries were excluded from the scope of consolidation because they are all small in terms of their total assets, net sales, profit and retained earnings, and would have no significant overall impact on the consolidated financial statements.

3. Application of equity method

The impact of the 6 non-consolidated subsidiaries and 2 affiliated companies on the consolidated profit and consolidated retained earnings is slight, and overall they are of minor importance.

Investments in said companies have therefore been valued according to the cost method rather than the equity method.

4. Business years of consolidated subsidiaries

Since the consolidated subsidiaries, JAE Wuxi Co., Ltd., JAE Wujiang Co., Ltd. and JAE Shanghai Co., Ltd. have closing dates falling on December 31, the financial statements contained herein are based on the statements of the provisional settlement of accounts, which were performed on the consolidated closing date.

5. Accounting standards

(1) Standards and methods for valuing major assets

1. Securities

Other securities:

Listed shares: Market value method based on the market on the closing date.

(The entire difference between the acquisition cost and the market price is accounted for by the direct-inclusion-to-net assets method, and the cost of sales is calculated by the moving average method.)

Unlisted shares: Cost method based on the moving average method.

2. Derivatives: Market value method

3. Inventories: Lower of cost or market method for valuation

Mainly weighted average method for costing

(2) Depreciation on major depreciable assets

Property, plant and equipment

Buildings: The Company and 16 out of the 18 consolidated subsidiaries use the straight line method, while the remaining 2 use the declining balance method.

Items other than buildings: The Company and 9 out of the 18 consolidated subsidiaries use the declining balance method, while the remaining 9 use the straight line method.

(3) Standards for calculating allowance for doubtful accounts

As provision against losses from bad debts, bad debts reserve has been calculated in accordance with past records of bad debts in the case of general credits. In cases of the specialized credits such as doubtful credits, the possibility of recovery has been considered individually, and the estimated non-recoverable amount has been accrued.

(4) Treatment of major hedge accounts

1. Hedge accounting

Deferred treatment. Interest rate swap is applied, however, in cases meeting the necessary requirements.

In addition, forward exchange contract and currency swap is applied in cases meeting the necessary requirements.

2. Hedge method and transactions

Hedge method: derivatives (interest rate swap, forward exchange contract, currency swap and currency option trading)

Hedged transaction: A part of debts due to variable interest rate, foreign currency assets and liabilities and time deposit.

3. Hedge policy

It is our policy not to conduct speculative transactions. Derivatives are used to avoid risks from interest rate fluctuations on debts, and exchange rate fluctuations on foreign currency transactions and so on.

4. Evaluation of hedge effectiveness

Effectiveness is assessed by rate analysis of the sum total of price fluctuation involving hedged transactions, or cash flows, and the sum total of price fluctuation involving hedge methods, or cash flows.

(5) Funds involved in consolidated statements of cash flows

Funds (cash and cash equivalents) stated in consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments which are redeemable within 3 months from the acquisition date, having high liquidity and convertibility into cash and low risk against price fluctuation.

(6) Method of accounting for retirement benefit

1. Method of period attribution for estimated retirement benefit

We adopt the fixed period standard to impute the estimated retirement benefit amount until the current consolidated fiscal year end upon calculation of the defined benefit obligation.

2. Method of cost processing of actuarial gains and losses and prior service cost

We process the actuarial gains and losses in the fixed amount method for a specified period (mostly 13 years) in the average remaining service time of the employee upon occurrence from the subsequent consolidated fiscal year.

Also, regarding to the prior service cost, we process the cost in the fixed amount method for a specified period (17 years) in the average remaining service time of the employee upon occurrence.

3. Adoption of a simplified method in small-scale consolidated subsidiaries

In determining retirement benefit liability and periodic benefit cost, some consolidated subsidiaries apply a simplified method that the amount required for voluntary termination of employees at end of year is treated as defined benefit obligations.

(7) Treatment of consumption taxes

Consumption taxes are recorded by the tax exclusion method.

6. Relating to the Consolidated Statements of Income and Retained Earnings

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
(1) Selling, general and administrative expenses			
Main categories and amounts			
1. Packing and transportation expenses	¥ 3,381	¥ 3,467	\$ 31,238
2. Salaries and bonuses	7,720	6,659	59,991
3. Commission expenses	2,292	2,310	20,818
4. Retirement benefit expenses	328	585	5,270
5. Depreciation	726	660	5,951
6. Provision for directors' bonuses	85	60	540
7. Provision of allowance for doubtful accounts	25	(17)	(161)
(2) R&D expenses included in administrative expenses and current manufacturing expenses			
General and administrative expenses	1,500	1,647	14,841
Current manufacturing expenses	9,657	9,499	85,579
Total	11,158	11,146	100,420

7. Relating to the Consolidated Statements of Cash Flows

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Cash and deposits	¥ 44,294	¥ 70,086	\$ 631,413
Cash and cash equivalents	44,294	70,086	631,413

8. Pension and retirement plans

Outline of retirement schedule

JAE and some of our consolidated subsidiaries have mainly introduced the consolidated defined-benefit corporate group pension plan. This plan adopts the cash balance plan, in which we open assumed private accounts equivalent to the reserve and pension resource amounts. In the assumed private accounts, the contributed credits based on the interest credit, salary level, etc. are accumulated. Employees may select a lump-sum or a pension plan (limited period pension up to 15 years) at retirement, and when they select the pension plan, the interest that fluctuates mostly by the market interest is added during the effective period.

Some consolidated subsidiaries adopt the lump-sum plan or defined-contribution pension benefit plan.

Some consolidated subsidiaries adopt a simplified method in calculating defined benefit obligations.

Defined benefit plan

(1) Reconciliation between the beginning balance and the ending balance of defined benefit obligation (excluding simplified method)

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Balance at beginning of year	¥ 28,814	¥ 30,578	\$ 275,480
Cumulative effects of changes in accounting policies	2,050	—	—
Restated balance	30,864	30,578	275,480
Service cost	1,484	1,497	13,487
Interest cost	288	281	2,539
Actuarial gains and losses	(34)	1,388	12,504
Benefit paid	(2,140)	(1,492)	(13,443)
Prior service cost	—	271	2,449
Others	114	72	650
Balance at end of year	30,578	32,597	293,667

(2) Reconciliation between the beginning balance and the ending balance of pension assets (excluding simplified method)

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Balance at beginning of year	¥ 30,705	¥ 29,128	\$ 262,422
Expected return on pension assets	761	718	6,471
Actuarial gains and losses	(1,822)	3,245	29,237
Contributions from the employer	1,626	1,655	14,911
Benefit paid	(2,140)	(1,492)	(13,443)
Others	(2)	14	130
Balance at end of year	29,128	33,269	299,729

(3) Reconciliation between the beginning balance and the ending balance of retirement benefit liability for simplified method

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Balance at beginning of year	¥ 19	¥ 11	\$ 101
Periodic benefit cost	(7)	0	4
Benefit paid	—	(8)	(72)
Others	(0)	(0)	(3)
Balance at end of year	11	3	29

(4) Reconciliation between the ending balance of defined benefit obligations and pension assets and retirement benefit liability and asset recorded on the consolidated balance sheet

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Funded defined benefit obligations	¥ 30,578	¥ 32,597	\$ 293,667
Pension assets	(29,128)	(33,269)	(299,729)
	1,449	(672)	(6,062)
Unfunded defined benefit obligations	11	3	29
Net liability and asset recorded on the consolidated balance sheet	1,460	(669)	(6,032)
Retirement benefit liability	1,747	774	6,980
Retirement benefit asset	(286)	(1,444)	(13,013)
Net liability and asset recorded on the consolidated balance sheet	1,460	(669)	(6,032)

Note) Includes plan that adopt a simplified method

(5) Components of periodic benefit costs

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Service cost	¥ 1,484	¥ 1,497	\$ 13,487
Interest cost	288	281	2,539
Expected return on pension assets	(761)	(718)	(6,471)
Recognized actuarial gains and losses	(63)	423	3,818
Periodic benefit cost in simplified method	(7)	0	4
Others	116	49	446
Periodic benefit costs of defined benefit plan	1,057	1,534	13,824

(6) Reconciliation of remeasurements of defined benefit plans before income tax effect

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Prior Service cost	—	(271)	(2,449)
Actuarial gains and losses	(1,851)	2,281	20,551
Total	(1,851)	2,009	18,102

(7) Components of remeasurements of defined benefit plans before income tax effect

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Unrecognized prior service cost	¥ —	¥ 271	\$ 2,449
Unrecognized actuarial gains and losses	721	(1,559)	(14,047)
Total	721	(1,287)	(11,598)

(8) Items relating to pension assets**1. Components of pension assets by major categories**

Years ended March 31	2020	2021
Japanese bonds	26.4%	18.2%
Foreign bonds	6.2%	22.7%
Japanese equities	12.0%	9.8%
Foreign equities	19.4%	17.8%
General account	23.1%	19.4%
Others	12.9%	12.1%
Total	100.0%	100.0%

2. Method determining expected long-term rate of return on pension assets

Expected long-term rate of return on pension assets is determined based on the current and the expected allocation of pension assets and the current and the expected long-term rates of return from various assets composing the pension assets.

(9) Assumptions used for actuarial calculation

Years ended March 31	2020	2021
Discount rate	1.0%	0.4%
Expected long-term rate of return on pension assets	2.5%	2.5%
Expected rate of future salary increases	3.4%	3.4%

Defined contribution plan

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2020	2021	2021
Required contribution amount to the defined contribution plan of consolidated subsidiaries	¥ 127	¥ 125	\$ 1,133