IMV CORPORATION

Consolidated Financial Statements for the Year Ended September 30, 2021, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of IMV CORPORATION:

Opinion

We have audited the consolidated financial statements of IMV CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of September 30, 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into British pound amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such British pound amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Cut-off of sales for Vibration Simulation System	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 14. "SEGMENT INFORMATION" to the consolidated financial statements, sales for vibration simulation system for the current fiscal year were ¥8,364,978 thousand, which accounted for 72.3% of the consolidated sales. Sales of products involving installation and operation verification are recorded at the time of completion of delivery, installation, operation verification of the product and inspection of the product by the customer. The domestic sales of products for vibration simulation system are usually higher in the fourth quarter (mainly in the year-end month) compared to other quarters and the sales unit price of the products involving installation and operation verification is relatively high compared to other sales. In addition, such sales require certain man-hours to complete the delivery of products and customer inspection, and the time required to complete the inspection is not uniform as it depends on the type of product and the specifications agreed upon with the customer. For the reasons above, there is a relatively high risk of misjudging the timing of sales for vibration simulation system in the fourth quarter, including the year-end month. There is also a possibility that full-year sales and profits may be materially affected, especially if errors are made in large contracts of a certain amount or more. Therefore, we identified the appropriateness of the cut-off of sales for vibration simulation system as a key audit matter.	We performed the following procedures to test the appropriateness of the cut-off of sales for vibration simulation system, among others: - We tested the design and operating effectiveness of certain internal controls relevant to the timing of sales for vibration simulation system. - For the sales transactions with relatively large contractual amounts recorded near the end of the fiscal year, the sales transactions with relatively short periods from the shipment date to the recorded sales date, and the sales transactions recorded at an earlier period than originally planned, we inspected the purchase orders, shipping certificates, work records, inspection confirmations, and the other related documentations. We also examined that no large costs were incurred after recognition of those sales transactions. In addition, transaction confirmation was carried out to the management department of the customer.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Deloitte Touche Tohmatsu LLC

December 24, 2021

IMV CORPORATION and Subsidiaries

Consolidated Balance Sheet
September 30, 2021

ASSETS	Thousands of Yen 2021	Thousands of Yen 2020	Thousands of Pounds (Note 1) 2021
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	¥ 3,652,453	¥ 2,839,536	£ 24,273
Receivables (Note 11):			
Trade notes	330,373	560,969	2,195
Trade accounts	2,926,912	2,722,232	19,451
Electronically recorded monetary claims	845,584	644,649	5,619
Allowance for doubtful receivables	(5,015)	(5,500)	(33)
Inventories (Note 4)	3,070,733	2,839,374	20,407
Prepaid expenses and other current assets	451,181	504,926	2,998
Total current assets	11,272,223	10,106,187	74,913
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	1,935,656	1,935,656	12,864
Buildings and structures (Note 5)	4,419,116	4,402,651	29,368
Machinery and equipment	520,413	514,002	3,458
Furniture and fixtures	3,464,425	3,289,799	23,024
Lease assets	3,888	3,888	25
Construction in progress	48,883	114,646	324
Total	10,392,383	10,260,644	69,066
Accumulated depreciation	(5,268,065)	(4,742,221)	(35,010)
Net property, plant and equipment	5,124,318	5,518,422	34,055
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 11)	298,917	222,185	1,986
Goodwill	-	4,185	-
Software	53,370	56,404	354
Deferred tax assets (Note 8)	279,807	218,156	1,859
Other assets	93,137	93,560	618
Total investments and other assets	725,233	594,492	4,819
TOTAL	¥ 17,121,775	¥ 16,219,102	£ 113,788

LIABILITIES AND EQUITY	Thousands of Yen 2021	Thousands of Yen 2020	Thousands of Pounds (Note 1) 2021
CURRENT LIABILITIES:			
Short-term bank loans (Notes 5 and 11)	¥ 2,270,003	¥ 2,630,065	£ 15,086
Current portion of long-term debt (Notes 5 and 11)	1,027,885	621,357	6,831
Payables (Note 11):			
Trade notes	645,214	726,696	4,287
Trade accounts	570,881	404,073	3,793
Electronically recorded obligations	868,991	600,145	5,775
Other	398,015	352,685	2,645
Accrued expenses	424,160	293,072	2,818
Income taxes payable	441,278	4,787	2,932
Provision for product warranty	46,000	53,050	305
Other current liabilities	715,756	555,568	4,756
Total current liabilities	7,408,187	6,241,501	49,233
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 11)	1,909,643	2,939,695	12,691
Long-term payables	187,080	192,169	1,243
Asset retirement obligations	48,147	47,361	319
Other long-term liabilities	38,844	93,535	258
Total long-term liabilities	2,183,715	3,272,761	14,512
EQUITY:			
Common stock—authorized, 67,820,000 shares; issued, 16,957,016 shares in 2021 and 2020	464,817	464,817	3,089
Capital surplus	554,974	576,648	3,688
Retained earnings (Note 13)	6,523,565	5,724,794	43,354
Treasury stock—at cost, 663,484 shares in 2021 and 663,452 shares in 2020	(143,762)	(143,736)	(955)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	98,338	58,038	653
Foreign currency translation adjustments	16,382	18,491	108
Total	7,514,316	6,669,053	49,938
Noncontrolling interests	15,556	5,786	103
Total equity	7,529,872	6,704,840	50,042
TOTAL	¥ 17,121,775	¥ 16,219,102	£ 113,788

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Income
Year Ended September 30, 2021

	Thousands of Yen		Thousands of Pounds (Note 1)
	2021	2020	2021
NET SALES (Note 14)	¥ 11,576,008	¥ 11,338,176	£ 76,932
COST OF SALES	7,959,266	8,405,930	52,896
Gross profit	3,616,742	2,932,246	24,036
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	2,549,552	2,594,375	16,943
Operating income	1,067,190	337,870	7,092
OTHER INCOME (EXPENSES):			
Interest and dividend income	7,040	8,805	46
Interest expense	(24,881)	(23,125)	(165)
Rental income	34,850	39,643	231
Foreign currency exchange gain—net	141,712	29,687	941
Government grant	61,777	57,074	410
Gain on contract cancellation (Note 10)	46,653	-	310
Other—net	21,689	12,511	144
Other income—net	288,843	124,597	1,919
INCOME BEFORE INCOME TAXES	1,356,033	462,468	9,011
INCOME TAXES (Note 8):			
Current	463,668	122,256	3,081
Deferred	(72,705)	23,201	(483)
Total income taxes	390,963	145,457	2,598
NET INCOME	965,070	317,011	6,413
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	27,804	180	184
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 937,265	¥ 316,830	£ 6,228

	Yen		Pounds
	2021	2020	2021
PER SHARE OF COMMON STOCK (Note 2.r):			
Basic net income	¥57.52	¥19.48	£0.38
Cash dividends applicable to the year	10.00	8.50	0.06

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended September 30, 2021

	Thousands of Yen		Thousands of Pounds (Note 1)
	2021	2020	2021
NET INCOME	¥965,070	¥317,011	£6,413
OTHER COMPREHENSIVE INCOME (LOSS) (Note 12):			
Unrealized loss on available-for-sale securities	40,300	(2,937)	267
Foreign currency translation adjustments	(20,143)	4,539	(133)
Total other comprehensive income	20,157	1,602	133
COMPREHENSIVE INCOME	¥985,227	¥318,613	£6,547
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥975,458	¥306,333	£6,482
Noncontrolling interests	9,769	12,279	64

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended September 30, 2021

	Thousands	Thousands of Yen								
						Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Noncontrolling Interests	Total Equity
BALANCE, OCTOBER 1, 2019	16,957,016	¥ 464,817	¥ 563,437	¥ 5,545,845	¥ (159,410)	¥ 60,975	¥ 26,050	¥ 6,501,715	¥ 1,796	¥ 6,503,512
Net income attributable to owners of the parent				316,830				316,830		316,830
Cash dividends, ¥8.5 per share				(137,880)				(137,880)		(137,880)
Purchase of treasury stock					(21)			(21)		(21)
Disposition of treasury stock			13,210		15,695			28,905		28,905
Net change during the year						(2,937)	(7,559)	(10,496)	3,990	(6,506)
BALANCE, SEPTEMBER 30, 2020	16,957,016	464,817	576,648	5,724,794	(143,736)	58,038	18,491	6,699,053	5,786	6,704,840
Net income attributable to owners of the parent				937,265				937,265		937,265
Cash dividends, ¥8.5 per share				(138,495)				(138,495)		(138,495)
Purchase of treasury stock					(25)			(25)		(25)
Purchase of shares of a consolidated subsidiary			(21,673)					(21,673)		(21,673)
Net change during the year						40,300	(2,108)	38,192	9,769	47,961
BALANCE, SEPTEMBER 30, 2021	16,957,016	¥ 464,817	¥ 554,974	¥ 6,523,565	¥ (143,762)	¥ 98,338	¥ 16,382	¥ 7,514,316	¥ 15,556	¥ 7,529,872

	Thousands of Pounds (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Noncontrolling Interests	Total Equity
BALANCE, SEPTEMBER 30, 2020	£ 3,089	£ 3,832	£ 38,046	£ (955)	£ 385	£ 122	£ 44,520	£ 38	£ 44,559
Net income attributable to owners of the parent			6,228				6,228		6,228
Cash dividends, £0.05 per share			(920)				(920)		(920)
Purchase of treasury stock				(0)			(0)		(0)
Purchase of shares of a consolidated subsidiary		(144)					(144)		(144)
Net change during the year					267	(14)	253	64	318
BALANCE, SEPTEMBER 30, 2021	£ 3,089	£ 3,688	£ 43,354	£ (955)	£ 653	£ 108	£ 49,938	£ 103	£ 50,042

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended September 30, 2021

	Thousands of Yen		Thousands of Pounds (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Net income before income taxes	¥ 1,356,033	¥ 462,468	£ 9,011
Adjustments for:			
Depreciation and amortization	606,713	682,918	4,032
Gain on contract cancellation	(46,653)	-	(310)
Interest and dividend income	(7,040)	(8,805)	(46)
Interest expense	24,881	23,125	165
Government grant	(61,777)	(57,074)	(410)
(Decrease) increase in allowance for doubtful receivables	(484)	2,058	(3)
Decrease in provision for product warranty	(7,050)	(35,950)	(46)
Decrease in provision for stock-based compensation	-	(37,129)	-
Foreign currency exchange gain—net	(45,634)	(31,140)	(303)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
(Increase) decrease in trade receivables	(148,655)	896,590	(987)
Increase in inventories	(208,027)	(70,211)	(1,382)
Increase (decrease) in trade payables	388,847	(1,119,912)	2,584
Other—net	262,582	81,891	1,745
Subtotal	2,113,734	788,831	14,047
Interest and dividends received	7,202	8,809	47
Interest paid	(24,581)	(24,202)	(163)
Government grant received	61,777	57,074	410
Income taxes paid	(59,728)	(330,133)	(396)
Net cash provided by operating activities	2,098,403	500,378	13,945
INVESTING ACTIVITIES:			
Purchases of investment securities	(19,208)	(20,016)	(127)
Purchases of property, plant and equipment	(160,843)	(519,906)	(1,068)
Proceeds from sale of property, plant and equipment	-	1,024	-
Purchase of intangible fixed assets	(21,438)	(21,266)	(142)
Purchase of time deposits	(18,012)	(61,177)	(119)
Decrease in time deposits	20,348	37,662	135
Other	36,321	38,200	241
Net cash used in investing activities	(162,833)	(545,479)	(1,082)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	(360,061)	505,065	(2,392)
Proceeds from long-term debt	-	2,380,002	-
Repayments of long-term debt	(623,524)	(849,834)	(4,143)
Repayment of finance lease obligations	(714)	(1,700)	(4)
Dividends paid	(144,357)	(134,367)	(959)
Purchase of treasury stock	(25)	-	(0)
Payment to acquire shares of a subsidiary that do not result in change in scope of consolidation	(29,344)	-	(195)
Net cash (used in) provided by financing activities	(1,158,028)	1,899,165	(7,696)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	35,375	14,740	235
NET INCREASE IN CASH AND CASH EQUIVALENTS	812,917	1,868,805	5,402
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,839,536	970,730	18,871
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,652,453	¥ 2,839,536	£ 24,273

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of IMV CORPORATION (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 which is more familiar to readers outside Japan. Amounts less than one thousand yen and one thousand pounds are rounded down, except for per share data. Therefore, total amounts may not correspond with the aggregation of such account balances.

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 British pound amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥150.47 to £1, the approximate rate of exchange at September 30, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into British pounds at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements for the years ended September 30, 2021 and 2020 include the accounts of the Company and its subsidiaries (8 in 2021 and 8 in 2020) (together, the "Group").

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 5 years by the straight-line method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Business Combinations*** – Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. ***Cash Equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits which mature within three months of the date of acquisition.

e. ***Inventories*** – Finished goods and work in process are stated at the lower of cost, determined by the specific identification method, or net selling value. Raw materials are stated at the lower of cost, determined by the moving-average method, or net selling value (see Note 4).

f. ***Allowance for Doubtful Receivables*** – Allowance for doubtful receivables is calculated based on the actual historical ratio of bad debt on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

g. ***Marketable and Investment Securities*** – Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities for which there is a positive intent and ability to hold to maturity are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Cost of securities sold is determined by the moving-average method.

All securities held by the Group are classified as available-for-sale securities.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. ***Property, Plant and Equipment*** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed primarily by the declining-balance method based on the estimated useful lives of the respective assets except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired subsequent to April 1, 1998 and structures acquired subsequent to April 1, 2016. The straight-line method is primarily applied to property, plant and equipment of foreign subsidiaries. The range of useful lives is principally from 30 to 50 years for buildings, from 8 to 18 years for structures, from 5 to 11 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

i. ***Software*** – Expenditures relating to development of software intended for internal use are charged to income when incurred except for those that are deemed to contribute to the generation of future income or cost saving. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of five years. Costs relating to development of software for sales are capitalized and amortized at the greater of an amount determined with reference to total estimated sales quantities which are expected to be generated by the product, or an amount computed by a straight-line method with reference to the product's expected life cycle of three years.

j. ***Long-Lived Assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. ***Asset Retirement Obligations*** – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. ***Research and Development Costs*** – Research and development costs are charged to income as incurred.

m. ***Leases*** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. Lease assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the terms of the lease as the useful life.

n. ***Provision for Product Warranty*** – Provision for product warranty is calculated at an estimated amount of the total costs which are expected to be incurred subsequent to the balance sheet date based on the actual historical ratio of the cost of repair and the anticipated amount considering individual product warranties.

o. ***Income Taxes*** – The provision for income taxes is computed based on the income before income taxes included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

p. ***Foreign Currency Transactions*** – 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. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

q. Foreign Currency Financial Statements – The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except that the components of equity excluding noncontrolling interest are translated at historical rate. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

r. Per Share Information – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the year.

Diluted net income per share is not presented since no potentially dilutive securities have been issued.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

s. Accounting Changes and Error Corrections – Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

t. New Accounting Pronouncements

1. Accounting Standard and Implementation Guidance on Revenue Recognition

   On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

   The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

   The Company expects to apply the accounting standard and guidance for annual periods beginning on or after October 1, 2021 and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

2. Accounting Standard for Fair Value Measurement and Related Implementation Guidance

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," and ASBJ Statement No. 10, "Accounting Standard for Financial Instruments."

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (the "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued.

The Fair Value Accounting Standards are applicable to the fair value measurement of financial instruments in "Accounting Standard for Financial Instruments" and inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, and items of notes such as the breakdown by the fair value level of financial instruments are required.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after October 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. INVESTMENT SECURITIES

Investment securities with available market value at September 30, 2021 and 2020 were as follows:

	Thousands of Yen		
	2021		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	¥298,717	¥161,722	¥136,995
Securities whose acquisition costs exceed their carrying values	-	-	-
Total	¥298,717	¥161,722	¥136,995

	Thousands of Yen		
	2020		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	¥214,199	¥134,475	¥79,724
Securities whose acquisition costs exceed their carrying values	7,786	8,054	(268)
Total	¥221,985	¥142,529	¥79,456

	Thousands of Pounds		
	2021		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	£ 1,985	£ 1,074	£ 910
Securities whose acquisition costs exceed their carrying values	-	-	-
Total	£ 1,985	£ 1,074	£ 910

There was no sale of available-for-sale securities for the years ended September 30, 2021 and 2020.

4. INVENTORIES

Inventories at September 30, 2021 and 2020, consisted of the following:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Finished products	¥ 732,895	¥ 422,479	£ 4,870
Work in process	1,568,050	1,507,836	10,421
Raw materials and supplies	769,787	909,058	5,115
Total	¥ 3,070,733	¥ 2,839,374	£ 20,407

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at September 30, 2021 and 2020 consisted of bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.23% to 0.38% in 2021 and 0.21% to 0.57% in 2020 at September 30, 2021 and 2020, respectively.

Long-term debt at September 30, 2021 and 2020 consisted of the following:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Secured loans from banks due serially to 2025 with interest rates ranging from 0.22% to 0.60% in 2021 and 2020	¥ 1,192,555	¥ 1,477,987	£ 7,925
Unsecured loans from banks due serially to 2025 with interest rates ranging from 0.35% to 1.70% in 2021 and 2020	1,744,973	2,083,065	11,596
Total	2,937,528	3,561,052	19,522
Less current portion	(1,027,885)	(621,357)	(6,831)
Long-term debt, less current portion	¥ 1,909,643	¥ 2,939,695	£ 12,691

Annual maturities of long-term debt, excluding finance lease obligations, at September 30, 2021 were as follows:

Year Ending September 30	Thousands of Yen	Thousands of Pounds
2022	¥ 1,027,885	£ 6,831
2023	1,000,605	6,649
2024	479,904	3,189
2025	429,134	2,851
2026	-	-
Total	¥ 2,937,528	£ 19,522

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥1,020,000 thousand (£6,778 thousand) and long-term debt of ¥1,192,555 thousand (£7,925 thousand) at September 30, 2021 were as follows:

	Thousands of Yen	Thousands of Pounds
Buildings and structures—net of accumulated depreciation	¥ 686,219	£ 4,560
Land	1,518,134	10,089
Total	¥ 2,204,353	£ 14,649

The Group has concluded commitment line agreements with banks in order to achieve more efficient and flexible financing. The status of these at September 30, 2021 and 2020 were as follows:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Amount of commitment line	¥ 1,400,000	¥ 1,400,000	£ 9,304
Commitment line used	-	-	-
Available commitment line	¥ 1,400,000	¥ 1,400,000	£ 9,304

Financial covenants

The Company entered into commitment line agreements of ¥1,300,000 thousand (£8,639 thousand) in March 2019. The following financial covenants are included in these agreements:

Total net assets in the non-consolidated balance sheet at the end of each fiscal year shall be equal to or exceed 70% of those at the end of the prior fiscal year.

There shall not be operating loss in the non-consolidated statement of income for two consecutive years at the end of each fiscal year.

6. RETIREMENT AND PENSION PLANS

The Company has a defined contribution pension plan. In addition, the Company participates in the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan. Certain subsidiaries also participate in the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan.

Total contributions paid by the Company and certain subsidiaries for the years ended September 30, 2021 and 2020 are as follows:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Contribution to a defined contribution pension plan	¥51,430	¥49,865	£341
Contribution to the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan	14,023	13,258	93
Total	¥65,453	¥63,123	£434

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury Stock*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.4% for each of the years ended September 30, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at September 30, 2021 and 2020 are as follows:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Deferred tax assets:			
Inventories	¥ 69,956	¥ 56,297	£ 464
Allowance for doubtful receivables	69	258	0
Accrued bonuses	72,898	46,070	484
Accrued welfare expense	11,189	10,092	74
Accrued enterprise tax	24,622	3,996	163
Accrued business office tax	4,169	3,957	27
Provision for product warranty	14,236	16,343	94
Accounts payable – other	3,348	3,226	22
Land	10,858	10,858	72
Investment securities	3,151	3,151	20
Property, plant and equipment	168,831	150,306	1,122
Long-term payables	53,360	53,360	354
Asset retirement obligations	12,485	12,132	82
Tax loss carryforwards	148,957	166,138	989
Other	10,569	10,542	70
Total of tax loss carryforwards and temporary differences	608,708	546,734	4,045
Less valuation allowance for tax loss carryforwards	(148,957)	(166,138)	(989)
Less valuation allowance for temporary differences	(79,851)	(79,385)	(530)
Total valuation allowance	(228,808)	(245,523)	(1,520)
Deferred tax assets	379,900	301,210	2,524
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(38,669)	(21,430)	(256)
Deferred revenue on sales of properties	(57,771)	(57,771)	(383)
Asset retirement obligations	(2,338)	(2,579)	(15)
Other	(1,313)	(1,273)	(8)
Deferred tax liabilities	(100,092)	(83,054)	(665)
Net deferred tax assets	¥ 279,807	¥ 218,156	£ 1,859

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of September 30, 2021 were as follows:

	Thousands of Yen		
Year Ending September 30	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowance for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2022			
2023			
2024	¥ 43,921	¥ (43,921)	¥ -
2025	21,070	(21,070)	-
2026			
2027 and thereafter	83,965	(83,965)	-
Total	¥ 148,957	¥ (148,957)	¥ -

	Thousands of Pounds		
Year Ending September 30	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowance for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2022			
2023			
2024	£ 291	£ (291)	£ -
2025	140	(140)	-
2026			
2027 and thereafter	558	(558)	-
Total	£ 989	£ (989)	£ -

A reconciliation between the normal effective statutory tax rates and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended September 30, 2021 was as follows:

	2021
Normal effective statutory tax rate	30.4%
Expenses not deductible for tax purposes	1.7
Valuation allowance	(1.2)
Inhabitants' per capita taxes	0.7
Amortization of goodwill	0.1
Tax credit for research and development costs	(1.7)
Income taxes of prior years	(0.1)
Difference in tax rates in subsidiaries	(1.5)
Other	0.5
Actual effective tax rate	28.8%

For the year ended September 30, 2020, a reconciliation was not disclosed since the difference of the normal effective statutory tax rate and actual effective tax rate was less than 5.0% of the normal effective statutory tax rate.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥392,587 thousand (£2,609 thousand) and ¥463,375 thousand for the years ended September 30, 2021 and 2020, respectively.

10. GAIN ON CONTRACT CANCELLATION

The share purchase agreement to acquire shares of M&G Hagger Limited and Vibratech Limited by our consolidated subsidiary, 1G DYNAMICS Limited, in July 2017 included the contingent consideration clause to the acquiree. However, by additional acquisition of shares of 1G DYNAMICS Limited which held by the acquiree on September 1, 2021 and re-examination of the clause, the clause was nullified and long-term liability was reversed recognizing a gain on contract cancellation.

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group manages cash surplus primarily by investing only in short-term deposits, and primarily raises funds by borrowing from banks.

The Group operates funds limiting cash and deposits and others and mainly raises funds through bank loans. The Group does not enter into derivatives.

(2) Nature and Extent of Risks Arising from Financial Instruments

Trade receivables, such as notes and accounts receivable, and electronically recorded monetary claims are exposed to customer credit risk. In accordance with the internal policy for managing credit risk, the Group monitors outstanding balances periodically by setting the credit limit amount by customers based on the amount of transactions. Investment securities which are exposed to the risk of market price fluctuations are mainly shares of listed companies which the Group has business with. The fair values of these securities and financial conditions of the issuers are periodically reviewed.

Payment terms of payables, such as notes and account payable, and electronically recorded obligations are less than one year. Among interest bearing debt, short-term bank loans are utilized for business operation and long-term debt is utilized for the purpose of making capital expenditures.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Financial instruments for which it is extremely difficult to determine the fair value are not included in the following table.

(a) Fair values of financial instruments

	Thousands of Yen		
September 30, 2021	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 3,652,453	¥ 3,652,453	¥ -
Trade notes and accounts receivable	3,257,285	3,257,285	-
Electronically recorded monetary claims	845,584	845,584	-
Investment securities	298,917	298,917	-
Total	¥ 8,054,241	¥ 8,054,241	¥ -
Short-term bank loans	¥ 2,270,003	¥ 2,270,003	¥ -
Current portion of long-term debt	1,027,885	1,028,203	318
Trade notes and accounts payable	1,216,096	1,216,096	-
Electronically recorded obligations	868,991	868,991	-
Long-term debt	1,909,643	1,912,025	2,382
Total	¥ 7,292,618	¥ 7,295,318	¥ 2,700

	Thousands of Yen		
September 30, 2020	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 2,839,536	¥ 2,839,536	¥ -
Trade notes and accounts receivable	3,283,202	3,283,202	-
Electronically recorded monetary claims	644,649	644,649	-
Investment securities	222,185	222,185	-
Total	¥ 6,989,573	¥ 6,989,573	¥ -
Short-term bank loans	¥ 2,630,065	¥ 2,630,065	¥ -
Current portion of long-term debt	621,357	622,072	715
Trade notes and accounts payable	1,130,770	1,130,770	-
Electronically recorded obligations	600,145	600,145	-
Long-term debt	2,939,695	2,943,079	3,384
Total	¥ 7,922,032	¥ 7,926,132	¥ 4,100

September 30, 2021	Thousands of Pounds Carrying Amount	 Fair Value	 Unrealized Loss
Cash and cash equivalents	£ 24,273	£ 24,273	£ -
Trade notes and accounts receivable	21,647	21,647	-
Electronically recorded monetary claims	5,619	5,619	-
Investment securities	1,986	1,986	-
Total	£ 53,527	£ 53,527	£ -
Short-term bank loans	£ 15,086	£ 15,086	£ -
Current portion of long-term debt	6,831	6,833	2
Trade notes and accounts payable	8,081	8,081	-
Electronically recorded obligations	5,775	5,775	-
Long-term debt	12,691	12,707	15
Total	£ 48,465	£ 48,483	£ 17

Cash and Cash Equivalents, Trade Notes and Accounts Receivable, and Electronically Recorded Monetary Claims

The carrying amounts of cash and cash equivalents, trade notes and accounts receivable, and electronically recorded monetary claims approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity securities, and at the quoted price obtained from the financial institution for certain debt securities. Fair value information for investment securities by classification is included in Note 3.

Trade Notes and Accounts Payable, Electronically Recorded Obligations, and Short-Term Bank Loans

The carrying amounts of trade notes and accounts payable, electronically recorded obligations, and short-term bank loans approximate fair value because of their short maturities.

Current Portion of Long-Term Debt and Long-Term Debt

The fair value of long-term debt, inclusive of current portion, 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.

(b) *Carrying amounts of financial instruments for which it is extremely difficult to determine the fair value at September 30, 2021 and 2020 are as follows:*

	Thousands of Yen 2021	 2020	Thousands of Pounds 2021
Unlisted equity securities	¥200	¥200	£1

(4) Maturity Analysis for Monetary Assets with Contractual Maturities

The redemption schedule of monetary assets as of September 30, 2021 is as follows:

	Thousands of Yen			
September 30, 2021	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 231,520	¥ -	¥ -	¥ -
Trade notes and accounts receivable	3,257,285	-	-	-
Electronically recorded monetary claims	845,584	-	-	-
Total	¥ 4,334,389	¥ -	¥ -	¥ -

	Thousands of Pounds			
September 30, 2021	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	£ 1,538	£ -	£ -	£ -
Trade notes and accounts receivable	21,647	-	-	-
Electronically recorded monetary claims	5,619	-	-	-
Total	£ 28,805	£ -	£ -	£ -

Please see Note 5 for annual maturities of long-term debt.

12. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended September 30, 2021 and 2020 were as follows:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Unrealized loss on available-for-sale securities:			
Loss arising during the year	¥ 57,539	¥ (4,051)	£ 382
Reclassification adjustments to income or loss	-	-	-
Amount before income tax effect	57,539	(4,051)	382
Income tax effect	(17,239)	1,113	(114)
Total	¥ 40,300	¥ (2,937)	£ 267
Foreign currency translation adjustments:			
Amounts arising during the year	¥ (20,143)	¥ 4,539	£ (133)
Total	¥ 20,157	¥ 1,602	£ 133

13. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at September 30, 2021 was approved at the Company's shareholders' meeting held on December 24, 2021:

	Thousands of Yen	Thousands of Pounds
Year-end cash dividends, ¥10 (£0.06) per share	¥162,935	£1,082

14. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available and for which such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The Group is primarily engaged in manufacturing and sales of simulation systems related to vibration and measuring systems, and provides vibration testing outsourced by clients. Therefore, there is only one reportable segment, and the disclosure of segment information for the years ended September 30, 2021 and 2020 has been omitted. Details on the products of the vibration business are as follows:

1) Dynamic simulation system

The Group manufactures and sells dynamic simulation systems and all-weather simulation system (vibration combined environmental simulation systems) and provides repair and maintenance services for those products.

2) Test and solution service

In addition to manufacturing and sales of the preceding products, the Group provides testing services. Based on requests for vibration tests and analysis from customers, the Group performs environmental testing, including vibration tests for specimens, and performs analyses based on the results of the tests.

3) Measuring system

The Group manufactures and sells measuring systems (including vibration testing systems, vibration monitoring systems, seismic monitoring systems, and environmental reliability evaluation systems) and provides repair and maintenance services for those products. Those systems sense earthquakes and abnormal vibrations resulting from the deterioration and abrasion of industrial machinery and are used to prevent of secondary disasters from earthquakes and in predictive maintenance.

(1) Information on Products and Services

Information on each product and service for the years ended September 30, 2021 and 2020 is as follows:

	Thousands of Yen			
	2021			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Sales to external customers	¥8,364,978	¥2,026,040	¥1,184,989	¥11,576,008

	Thousands of Yen			
	2020			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Sales to external customers	¥7,984,896	¥2,308,417	¥1,044,863	¥11,338,176

	Thousands of Pounds			
	2021			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Sales to external customers	£55,592	£13,464	£7,875	£76,932

(2) Information on Geographical Areas

Information on geographical areas for the years ended September 30, 2021 and 2020 is as follows:

(a) Sales

Thousands of Yen			
2021			
Japan	Asia	Other	Total
¥7,751,515	¥1,477,685	¥2,346,808	¥11,576,008

Thousands of Yen			
2020			
Japan	Asia	Other	Total
¥7,602,399	¥1,261,198	¥2,474,579	¥11,338,176

Thousands of Pounds			
2021			
Japan	Asia	Other	Total
£51,515	£9,820	£15,596	£76,932

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

As the balances of property, plant and equipment in Japan account for more than 90% of those in the consolidated financial statements, disclosure of property, plant and equipment as of September 30, 2021 and 2020 has been omitted.

(3) Information on Goodwill

Amortization expense of goodwill amounted to ¥4,185 thousand (£27 thousand) and ¥8,370 thousand for the years ended September 30, 2021 and 2020, respectively. There was no balance of goodwill as of September 30, 2021. Remaining balance of goodwill amounted to ¥4,185 thousand as of September 30, 2020.

15. RELATED-PARTY TRANSACTIONS

Principal transactions between the Company and its related party for the years ended September 30, 2021 and 2020 are as follows:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Kura Corporation:			
Purchase of finished goods	¥38,982	¥49,083	£259
Rent of factory	16,018	16,020	106

Balances due to the related party at September 30, 2021 and 2020 are as follows:

	Thousands of Yen		Thousands of Pounds
	2021	2020	2021
Due to:			
Kura Corporation	¥3,111	¥3,987	£20

Applicable consumption taxes are not included in the transaction amounts but are included in the balances in the table above.

The transaction price was determined using the same method as for the third-party transaction.

Rental fee is determined in reference to market value.

Kura Corporation is wholly owned by the relatives of Kenya Kusano, a director of the Company.

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