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Consolidated Financial Results for the Three Months Ended June 30, 2021 [J-GAAP]

August 5, 2021

Name of listed company: OHASHI TECHNICA INC.

Listed exchange: Tokyo Stock Exchange

Securities code: 7628

URL: <https://www.ohashi.co.jp/en/>

Representative: Mamoru Shibasaki, President & CEO

Contact: Yoshiji Nakamura, Director and General Manager, Business Promotion Division Telephone: +81-3-5404-4420

Scheduled date for filing of quarterly securities report: August 6, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing materials on quarterly financial results: None

Holding of quarterly financial results briefing: None

(Amounts of less than millions of yen are truncated)

1. Consolidated performance for the three months ended June 30, 2021 (April 1, 2021-June 30, 2021)

(1) Consolidated operating results

(Percentages show year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|--------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2021 | 8,653 | 31.8 | 754 | 102.9 | 852 | 109.2 | 604 | 118.3 |
| Three months ended June 30, 2020 | 6,564 | (29.9) | 372 | (60.3) | 407 | (59.5) | 276 | (62.3) |

Note: Comprehensive income

Three months ended June 30, 2021: 1,595 million yen [-%]

Three months ended June 30, 2020: (102) million yen [-%]

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2021 | 42.64 | — |
| Three months ended June 30, 2020 | 18.81 | — |

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) has been applied from the beginning of the three months ended June 30, 2021, and the figures for the three months ended June 30, 2021, are shown after application of this accounting standard.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2021 | 43,713 | 32,716 | 73.8 |
| As of March 31, 2021 | 42,138 | 31,672 | 74.2 |

Reference: Equity As of June 30, 2021: 32,279 million yen

As of March 31, 2021: 31,266 million yen

2. Dividends

| | Annual dividends | | | | |
|---------------------------------------|------------------|-----------|-----------|----------|-------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2021 | — | 20.00 | — | 32.00 | 52.00 |
| Year ended March 31, 2022 | — | | | | |
| Year ending March 31, 2022 (forecast) | | 26.00 | — | 31.00 | 57.00 |

Note 1. Revision from the most recent announcement of cash dividends forecasts: None

Note 2. Breakdown of year-end dividend for the year ending March 31, 2022 (forecast)

Ordinary dividend: 26.00 yen Commemorative dividend for the Company's 70th anniversary: 5.00 yen

3. Consolidated performance forecast for the year ending March 31, 2022 (April 1, 2021-March 31, 2022)

(Percentages show year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|------|------------------|------|-----------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 36,000 | 20.9 | 2,700 | 28.2 | 2,900 | 27.1 | 2,000 | 29.9 | 141.20 |

Note: Revision from the most recent announcement of cash dividends forecasts: None

***Notes**

(1) Changes in significant subsidiaries during the period (changes of specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of particular accounting procedures to the preparation of quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to revisions in accounting standards, etc.: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Note: For details, please see “(3) Notes to Quarterly Consolidated Financial Statements” under “2. Quarterly Consolidated Financial Statements and Principal Notes” on page 8 of the attachment.

(4) Number of shares issued (common shares)

| | | |
|--|-----------------------------------|-------------------|
| 1) Number of shares issued at the end of the period (including treasury shares): | June 30, 2021: | 14,759,080 shares |
| | June 30, 2020: | 14,759,080 shares |
| 2) Number of treasury shares at the end of the period: | June 30, 2021: | 594,405 shares |
| | June 30, 2020: | 534,274 shares |
| 3) Average number of shares during the period: | Three months ended June 30, 2021: | 14,170,288 shares |
| | Three months ended June 30, 2020: | 14,719,100 shares |

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

*Guide to appropriate use of performance forecasts and other notes

Notes on forward-looking descriptions, etc.

Forward-looking descriptions including performance forecasts in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not a guarantee on their realization.

Actual results, etc. may differ significantly due to various factors. For more notes on the use of performance forecasts, please see “(2) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” under “1. Qualitative Information on Quarterly Financial Results” on page 3 of the attachment.

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

The world economy moved gradually toward recovery during the three months ended June 30, 2021, mainly due to the proactive economic policies by governments against COVID-19 and the resumption of economic activity along with vaccine access. However, the future remains uncertain due to resurgences of infections caused by the proliferation of new coronavirus variants, interruptions in production activity over a wide range of industries caused by semiconductor shortages, and tight global container availability caused by disruptions in ocean shipping. The Japanese economy was on the road to recovery after hitting bottom, but the economic environment is still harsh and weighted down by factors such as the government's declaration of another state of emergency due to the resurgence of infections.

In the automotive industry in which OHASHI TECHNICA INC. (the "Company") and its subsidiaries (collectively, the "Group") operate business, both overseas and domestic production at automobile manufacturers increased from a year earlier when production significantly declined due to the effects of COVID-19. Overseas, where the quarter under review is January 1, 2021-March 31, 2021, production rebounded in China where COVID-19 caused lockdown in the previous year, which led overall production overseas to increase. However, with the semiconductor supply shortage and ocean shipping at a standstill since the beginning of the year, production at manufacturers that are major clients of the Group in the U.S. declined from the previous year. Except for China, overall production overseas has not recovered to pre-COVID levels, and production has not fully recovered. In Japan, where the quarter under review is April 1, 2021-June 30, 2021, automobile production increased, mainly because production at automobile manufacturers has recovered from last year's steep decline, despite production adjustments in response to the semiconductor supply shortage.

Under these circumstances, the Group strived to respond quickly to changes in the production activity of clients and to strengthen its business foundations. As a result, consolidated net sales increased year-on-year, as automobile manufacturers that are major clients of the Group recovered from the previous year's production declines. Our consolidated operating profit also increased year-on-year, owing to an increase in net sales across all regions except the U.S., despite a rise in overseas logistics costs.

In the three months ended June 30, 2021, on a consolidated basis, the Company posted net sales of 8,653 million yen (up 31.8% year on year), operating profit of 754 million yen (up 102.9% year on year), ordinary profit of 852 million yen (up 109.2% year on year) and profit attributable to owners of parent of 604 million yen (up 118.3% year on year).

Application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) (the "Revenue Recognition Standard") caused net sales and cost of sales both to decrease by 52 million yen. There was no impact on the various profit results.

Operating results by segment are as described below. (Segment profit is adjusted with operating profit on the quarterly consolidated statements of income.)

[Japan]

Despite the effects of production adjustments due to semiconductor supply shortages, automobile manufacturers of our major clients recovered from the production decline following the spread of COVID-19 in the previous year. As a result, net sales were 4,679 million yen (up 53.3% year on year). Segment profit was 392 million yen (up 600.7% year on year) due to the increase in net sales.

Application of the Revenue Recognition Standard, caused net sales to decrease by 52 million yen. There was no impact on segment profit.

[Americas]

Production at automobile manufacturers in the U.S. was impacted by the worldwide semiconductor supply shortage and a standstill in ocean shipping, resulting in production at lower levels than the previous year. Net sales were 1,745 million yen (down 5.4% year on year). Segment profit was 72 million yen (down 44.2% year on year) due to the decline in net sales and higher ocean shipping costs.

[China]

In the previous year, production was heavily impacted by lockdowns due to the spread of COVID-19, but production rebounded and was significantly higher than in the previous year. As a result, net sales were 1,270 million yen (up 67.4% year on year). Segment profit was 206 million yen (up 116.9% year on year) owing to the increase in net sales and the improvement of manufacturing costs due to production recovery.

[ASEAN]

Automobile manufacturers of our clients are recovering from the production decline due to the spread of COVID-19. As a result, net sales were 661 million yen (up 5.1% year on year). Segment profit was 127 million yen (up 85.7% year on year) owing to the increase in net sales, improved production efficiency, and the improvement of manufacturing costs due to production recovery.

[Europe]

Production at automobile manufacturers of our clients was flat after declining in the previous year due to the spread of COVID-19 and semiconductor shortage caused slow recovery. Net sales were 296 million yen (up 5.6% year on year). Segment loss was 7 million yen (a segment loss of 23 million yen in the three months ended March 31, 2020) mainly due to a rise in marine freight costs and a decrease in expenses arising from consolidating locations.

[Taiwan]

OHASHI TECHNICA TAIWAN CO., LTD., which transacts business with companies of the Group only, has no net sales to external customers. Net sales declined due to a decrease in exports for companies of the Group, and marine freight costs rose significantly. As a result, segment loss was 18 million yen (a segment profit of 15 million yen in the three months ended March 31, 2020).

(2) Explanation of consolidated financial results forecast and other forward-looking information

There is no change to the consolidated financial results forecast for the year ending March 31, 2022 from the forecast in the Consolidated Financial Results for the Year Ended March 31, 2021 published on May 13, 2021.

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

(Thousand yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 21,361,928 | 21,930,014 |
| Notes and accounts receivable – trade | 7,036,480 | – |
| Notes and accounts receivable – trade and contract assets | – | 7,046,306 |
| Merchandise and finished goods | 3,871,528 | 4,406,771 |
| Work in process | 412,077 | 460,836 |
| Raw materials and supplies | 585,777 | 624,462 |
| Other | 529,277 | 341,510 |
| Allowance for doubtful accounts | (8,328) | (8,972) |
| Total current assets | 33,788,740 | 34,800,930 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 4,925,795 | 5,101,093 |
| Accumulated depreciation | (2,419,602) | (2,523,214) |
| Buildings and structures, net | 2,506,193 | 2,577,879 |
| Machinery, equipment and vehicles | 7,674,706 | 7,989,722 |
| Accumulated depreciation | (6,590,403) | (6,894,053) |
| Machinery, equipment and vehicles, net | 1,084,303 | 1,095,669 |
| Tools, furniture and fixtures | 3,518,631 | 3,597,959 |
| Accumulated depreciation | (3,157,615) | (3,218,640) |
| Tools, furniture and fixtures, net | 361,015 | 379,318 |
| Land | 1,387,496 | 1,402,251 |
| Construction in progress | 391,354 | 761,843 |
| Total property, plant and equipment | 5,730,362 | 6,216,962 |
| Intangible assets | | |
| Software | 165,579 | 160,499 |
| Other | 48,766 | 51,049 |
| Total intangible assets | 214,346 | 211,548 |
| Investments and other assets | | |
| Investment securities | 1,700,377 | 1,772,236 |
| Deferred tax assets | 218,807 | 224,857 |
| Other | 487,625 | 489,283 |
| Allowance for doubtful accounts | (2,200) | (1,900) |
| Total investments and other assets | 2,404,609 | 2,484,477 |
| Total non-current assets | 8,349,318 | 8,912,988 |
| Total assets | 42,138,059 | 43,713,918 |

(Thousand yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,075,600 | 3,163,583 |
| Electronically recorded obligations - operating | 5,247,818 | 5,502,193 |
| Income taxes payable | 274,345 | 266,321 |
| Provision for bonuses | 187,662 | 147,060 |
| Provision for bonuses for directors (and other officers) | 27,100 | 12,000 |
| Short-term borrowings | 65,329 | 104,820 |
| Other | 744,503 | 994,153 |
| Total current liabilities | 9,622,359 | 10,190,132 |
| Non-current liabilities | | |
| Long-term borrowings | 43,552 | 11,646 |
| Retirement benefit liability | 619,069 | 619,730 |
| Other | 180,815 | 175,654 |
| Total non-current liabilities | 843,437 | 807,031 |
| Total liabilities | 10,465,797 | 10,997,163 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,825,671 | 1,825,671 |
| Capital surplus | 1,611,240 | 1,611,240 |
| Retained earnings | 28,338,005 | 28,486,595 |
| Treasury shares | (811,559) | (907,012) |
| Total shareholders' equity | 30,963,356 | 31,016,493 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 328,397 | 364,837 |
| Foreign currency translation adjustment | (59,449) | 865,469 |
| Remeasurements of defined benefit plans | 33,978 | 32,466 |
| Total accumulated other comprehensive income | 302,925 | 1,262,772 |
| Non-controlling interests | 405,979 | 437,488 |
| Total net assets | 31,672,261 | 32,716,755 |
| Total liabilities and net assets | 42,138,059 | 43,713,918 |

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income for the three months ended June 30, 2021

(Thousand yen)

| | For the three months ended June 30, 2020 | For the three months ended June 30, 2021 |
|---|---|---|
| Net sales | 6,564,923 | 8,653,157 |
| Cost of sales | 4,978,154 | 6,561,732 |
| Gross profit | 1,586,768 | 2,091,425 |
| Selling, general and administrative expenses | 1,214,654 | 1,336,587 |
| Operating profit | 372,114 | 754,837 |
| Non-operating income | | |
| Interest income | 7,062 | 9,475 |
| Dividend income | 15,138 | 15,822 |
| Share of profit of entities accounted for using equity method | — | 14,177 |
| Foreign exchange gains | — | 6,522 |
| Gain on sale of scraps | 6,466 | 13,925 |
| Subsidy income | 27,875 | 45,727 |
| Other | 5,653 | 5,541 |
| Total non-operating income | 62,176 | 111,193 |
| Non-operating expenses | | |
| Interest expenses | 1,562 | 1,780 |
| Share of loss of entities accounted for using equity method | 2,879 | — |
| Foreign exchange losses | 7,494 | — |
| Business commencement expenses | 14,168 | 11,866 |
| Other | 863 | 354 |
| Total non-operating expenses | 26,968 | 14,001 |
| Ordinary profit | 407,322 | 852,029 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 18 | 1,594 |
| Total extraordinary income | 18 | 1,594 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 502 | — |
| Loss on retirement of non-current assets | 66 | 73 |
| Total extraordinary losses | 568 | 73 |
| Profit before income taxes | 406,771 | 853,549 |
| Income taxes - current | 122,436 | 260,088 |
| Income taxes - deferred | 5,510 | (20,522) |
| Total income taxes | 127,947 | 239,565 |
| Profit | 278,824 | 613,983 |
| Profit attributable to non-controlling interests | 1,981 | 9,747 |
| Profit attributable to owners of parent | 276,842 | 604,236 |

Quarterly consolidated statements of comprehensive income for the three months ended June 30, 2021

(Thousand yen)

| | For the three months ended June 30, 2020 | For the three months ended June 30, 2021 |
|---|---|---|
| Profit | 278,824 | 613,983 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 112,446 | 36,272 |
| Foreign currency translation adjustment | (492,844) | 946,681 |
| Remeasurements of defined benefit plans, net of tax | (1,101) | (1,512) |
| Share of other comprehensive income of entities accounted for using equity method | 136 | 167 |
| Total other comprehensive income | (381,363) | 981,609 |
| Comprehensive income | (102,539) | 1,595,593 |
| Comprehensive income attributable to | | |
| Owners of parent | (85,641) | 1,564,084 |
| Non-controlling interests | (16,898) | 31,509 |

(3) Notes to quarterly consolidated financial statements

Notes on going concern assumption

Not applicable.

Notes in case of significant changes in shareholders' equity

The Company acquired 60,000 shares of treasury stock based on the resolution made at the meeting of the Board of Directors held on February 9, 2021. As a result, treasury stock increased by 95,452 thousand yen in the three months ended June 30, 2021, and stood at 907,012 thousand yen as of June 30, 2021.

Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) (the "Revenue Recognition Standard") from the beginning of the three months ended June 30, 2021. Revenue is recognized as the amount expected to be received in exchange for promised goods or services when control of said goods or services is transferred to the customer.

The changes resulting from application of the Revenue Recognition Standard, etc. are as follows.

- Prepaid supply transactions

If a supplier has an obligation to buy back supplied goods from a customer, ownership does not transfer to the customer at the time of supply, and cancellation of inventories is not recognized. Accordingly, for prepaid supply transactions with buyback obligations, the Company has changed to a method of recognizing actual manufacturing costs on a net basis as revenue.

With regard to the application of the Revenue Recognition Standard, in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the three months ended June 30, 2021, has been added to or subtracted from retained earnings at the beginning of the three months ended June 30, 2021, and the new accounting policy has been applied from the beginning of said period. However, the method stipulated in Paragraph 86 of the Revenue Recognition Standard has been applied, and the new accounting policy has not been retroactively applied to contracts for which the amounts of almost all revenue had been recognized prior to the beginning of the three months ended June 30, 2021, in accordance with the previous accounting policy. In addition, the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard has been applied. After conducting accounting procedures based on the contract conditions after reflecting all changes in contracts made prior to the beginning of the three months ended June 30, 2021, the cumulative effect is added to or subtracted from retained earnings at the beginning of the three months ended June 30, 2021.

As a result, net sales and cost of sales for the three months ended June 30, 2021, both decreased by 52 million yen. There was no impact on retained earnings at the beginning of said period.

Due to the application of the Revenue Recognition Standard, "Notes and accounts receivable – trade," which were included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Notes and accounts receivable – trade, and contract assets" from the three months ended June 30, 2021. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified in accordance with the new approach to presentation. In addition, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020), information showing a breakdown of revenue earned from contracts with customers for the three months ended June 30, 2020, is not presented.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30; July 4, 2019) (the "Fair Value Standard") from the beginning of the three months ended June 30, 2021. New accounting policies based on the Fair Value Standard have been applied prospectively in accordance with the transitional treatment in Paragraph 19 of the Fair Value Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10; July 4, 2019). There is no impact on the quarterly consolidated financial statements.

Additional information

(Impact of COVID-19 on accounting estimates)

As described in “Accounting Estimates” under “5. Financial Information, Notes” in the Annual Securities Report for the previous fiscal year, there are no material changes in assumptions relating to the spread of COVID-19.

However, if the spread of COVID-19 in the future causes changes that significantly impact the Group’s business, it may affect estimates of impairment loss on non-current assets, recoverability of deferred tax assets, and so forth.

Segment information, etc.

Segment information

I. For the three months ended June 30, 2020

1. Information on amounts of net sales and profit (loss) by reportable segment

(Thousand yen)

| | Reportable segments | | | | | | | Adjustments (Note) 1 | Consolidated (Note) 2 |
|----------------------------------|---------------------|-----------|---------|---------|----------|---------|-----------|-------------------------|--------------------------|
| | Japan | Americas | China | ASEAN | Europe | Taiwan | Total | | |
| Net sales | | | | | | | | | |
| Net sales to external customers | 3,051,682 | 1,844,589 | 758,922 | 628,973 | 280,755 | — | 6,564,923 | — | 6,564,923 |
| Inter-segment sales or transfers | 635,677 | 944 | 26,260 | 8,276 | 906 | 254,177 | 926,243 | (926,243) | — |
| Total | 3,687,359 | 1,845,534 | 785,182 | 637,250 | 281,662 | 254,177 | 7,491,167 | (926,243) | 6,564,923 |
| Segment profit (loss) | 55,990 | 130,288 | 95,322 | 68,911 | (23,746) | 15,580 | 342,347 | 29,766 | 372,114 |

Notes: 1. Adjustment of segment profit (loss) of 29,766 thousand yen consists of inter-segment eliminations.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated financial statements.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Not applicable.

II. For the three months ended June 30, 2021

1. Information on amounts of net sales and profit (loss) by reportable segment

(Thousand yen)

| | Reportable segments | | | | | | | Adjustments (Note) 1 | Consolidated (Note) 2 |
|----------------------------------|---------------------|-----------|-----------|---------|---------|----------|-----------|-------------------------|--------------------------|
| | Japan | Americas | China | ASEAN | Europe | Taiwan | Total | | |
| Net sales | | | | | | | | | |
| Net sales to external customers | 4,679,659 | 1,745,800 | 1,270,064 | 661,094 | 296,538 | — | 8,653,157 | — | 8,653,157 |
| Inter-segment sales or transfers | 767,126 | 3,226 | 25,410 | 6,695 | — | 237,991 | 1,040,449 | (1,040,449) | — |
| Total | 5,446,785 | 1,749,026 | 1,295,475 | 667,789 | 296,538 | 237,991 | 9,693,606 | (1,040,449) | 8,653,157 |
| Segment profit (loss) | 392,342 | 72,691 | 206,797 | 127,999 | (7,099) | (18,803) | 773,927 | (19,090) | 754,837 |

Notes: 1. Adjustment of segment profit (loss) of (19,090) thousand yen consists of inter-segment eliminations.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated financial statements.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Not applicable.

3. Changes in reportable segments

As described in (*Changes in accounting policies*), the Revenue Recognition Standard has been applied from the beginning of the three months ended June 30, 2021, and as such, the method of accounting for revenue recognition has changed. Therefore, the method for calculating segment profit (loss) likewise has changed.

Compared with the previous method, this change caused a decrease of 52,206 thousand yen in net sales in Japan for the three months ended June 30, 2021. There was no impact on segment profit or loss.

Significant subsequent events

Not applicable.

3. Other

U.S. job protection measures relating to COVID-19

Short-term and long-term borrowings as of June 30, 2021, consist of funds obtained by U.S. subsidiary OHASHI TECHNICA U.S.A., INC. through the U.S. government's Paycheck Protection Program. This is reported as borrowings, but if it is used for purposes that satisfy the specified conditions, such as to pay employee salaries to protect jobs, repayment will be waived.