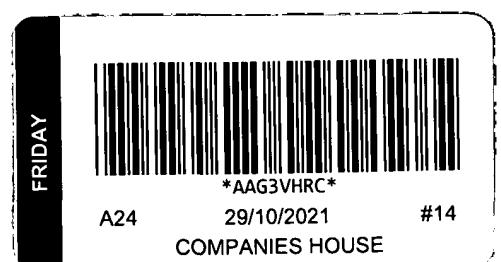


Registered number: 02607806

SANOH UK MANUFACTURING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



SANOH UK MANUFACTURING LIMITED

COMPANY INFORMATION

DIRECTORS	P Davis R Filer R Hill M Masuda K Oyama M Sasaki
COMPANY SECRETARY	R Hill
REGISTERED NUMBER	02607806
REGISTERED OFFICE	Grandeur Point Fourth Way Avonmouth Bristol BS11 8DL
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR
BANKERS	Lloyds Bank Plc 15 High Street Westbury-On-Trym Bristol BS9 3DA Bank of Tokyo-Mitsubishi UFJ Limited 25 Ropemaker Street London EC2Y 9AN

SANOH UK MANUFACTURING LIMITED

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SANOH UK MANUFACTURING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

INTRODUCTION

The directors present the Strategic Report of Sanoh UK Manufacturing Limited (the "company") for the year ended 31 March 2021.

BUSINESS REVIEW

The start of the year saw the company cease production as the nationwide lockdown as a result of COVID-19 led to our customer's closure. The closures continued for between 3 and 5 months dependent on the customer being serviced, with the company having to adapt to reduced demands and new working conditions ensuring we serviced our customers needs whilst also protecting employee's welfare.

The automotive sector was already struggling in certain areas as uncertainty over the world economy and government policy changes in relation to diesel vehicles took their toll. As COVID restrictions reduced and production picked up, it quickly became apparent that volume would continue to be impacted as customers began to struggle with supply issues and staffing levels. This uncertainty continued throughout the year and has continued into the 2021/22 financial year as the long-term impacts of COVID take their toll.

As a result, Sanoh UK has seen a 34% fall in turnover compared to the prior year. Profit has also fallen significantly as costs, in particular freight and commodity costs, have increased and measures to reduce overheads take time to implement.

The company has continued to control cash flow tightly, with the reduced volumes reducing exposure to excess stocks where possible and cutting costs to run leanly with a view to protecting jobs and ensuring the company is well placed for when volumes return.

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks affecting the company are set out below:

Competition

The limited number of competitors in the UK is a reflection of the limited number of car manufacturers in the country and the number of major contracts available. Competition for each contract is still fierce as the automotive companies are adept at managing contract negotiations whatever the number of potential suppliers.

We are therefore well aware of the threat from the competition and seek to mitigate it by maintaining close communications with our customers at all times and continually reviewing our manufacturing and business processes to improve the service we offer.

Product warranty

Even with a very good track record, total cover against all warranty costs would be prohibitively expensive but we believe it is right to have a limited cover in place. However, the cost of that limited cover would increase significantly with a poor claims record and so the main defence against warranty costs has to remain a focus on product quality.

Market

There is a clear exposure to market risk, with a small number of customers in one business sector and very little opportunity to expand into exports. We seek to expand our customer base whenever possible but see ourselves continuing to be an automotive component supplier for the foreseeable future. A few years of making reasonable profits has provided the opportunity to rebuild our reserves and develop the strength to help ride out short term market changes and allow the time to adapt the company structure for longer term changes.

SANOH UK MANUFACTURING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Market prices

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits.

The directors will revisit the appropriateness of this policy should the company's operations change significantly in size or nature.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, liquidity risk, interest rate risk and exchange rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors at which point the total exposure to any individual counterparty is considered.

In common with other businesses we recognise that there is a risk to cash and cash deposits with financial institutions. The strength and stability of those with whom we deal is therefore an important factor considered in the selection process.

Interest rate risk

The company has had occasional interest bearing assets and more significant interest bearing liabilities.

The interest bearing assets have been short-term cash balances, which may be available from time to time and have been invested at variable rate. Short-term borrowings on overdraft are arranged on variable interest rates.

Borrowings against the bank loan facility are at rates fixed at the time of each drawing.

Exchange rate risk

The company has always made significant purchases in Japanese yen and the proportion of these that are matched by customer sales price variation agreements linked to the sterling/yen exchange rate has been falling.

However, development of a US dollar source for some of these purchases together with further diversification into euro and sterling supplies, means that exchange rate risk is spread across a range of currencies.

Being spread throughout the year these exposures are subject to a degree of averaging that reduces the impact of short term fluctuations and the longer term risk is considered very carefully in all the company's pricing decisions.

Liquidity risk

The profitability of operations over the past few years has strengthened the Statement of Financial Position and created a more favourable cash position. The directors believe that this provides the resources necessary to support the company and its operations.

SANOH UK MANUFACTURING LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

KEY PERFORMANCE INDICATORS

Growth in sales	2021 (34%)	2020 (17%)	Year on year sales growth/(reduction) expressed as a percentage
Customer rejects	1.8	2.5	Average of customer rejects per million parts delivered as reported by our major customers
On time deliveries	100%	100.00%	Average on time delivery performance as reported by our major customers who demand timed delivery schedules each day

This report was approved by the board on 12 October 2021 and signed on its behalf.



P Davis
Director

SANOH UK MANUFACTURING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and the financial statements for the company for the year ended 31 March 2021.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements for the company in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for the company for each financial year. Under that law the directors have elected to prepare the financial statements for the company in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements for the company on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements for the company comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The results for the company show a profit after tax for the financial year of £195,000 (2020: £493,000) and turnover of £11,296,000 (2020: £17,108,000). The company has net cash of £3,842,000 (2020: £2,554,000). Net cash flow from operating activities was £351,000 (2020: £1,298,000).

The directors have proposed the payment of a final dividend of £nil (2020: £nil) representing £nil (2020: £nil) on each ordinary share. The aggregate interim dividend on the ordinary shares recognised during the year amounts to £394,000 (2020: £2,500,000).

SANOH UK MANUFACTURING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

DIRECTORS

The directors who served during the year were:

P Davis
R Filer
R Hill
M Masuda
K Oyama
M Sasaki

PRINCIPAL RISKS AND UNCERTAINTIES

FUTURE DEVELOPMENTS

As referenced in the Strategic Report, the impacts of COVID continue to take their toll with volumes still well below expected volumes for many vehicles. The longer-term impacts of the Brexit vote have yet to become clear having been disguised by the more drastic impact of COVID.

As a long-standing and significant customer, the announcement in February 2019 that Honda would be closing its UK factory in Swindon in July 2021 was disappointing. Sanoh UK is sorry to see this near 30-year relationship come to an end, having supplied brake and fuel pipes for Honda UK for all vehicles produced on the site over this period.

However, the company continues to work hard on winning new projects in both the current product range as well as new areas both within and outside the automotive industry. The company continues to target long term relationships with customers as we support them with reliable products and timely delivery.

Whilst the last few years have seen some downsizing of the company, we are still hopeful that the British economy will continue to show its resilience and Sanoh UK will continue to do likewise. Through shrewd investment and responsive planning, we will continue to remain competitive against both our UK competitors as well as those in mainland Europe.

ENGAGEMENT WITH EMPLOYEES

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interest. Employee involvement in the company is encouraged, as achieving an awareness on the part of employees of the external factors affecting the company plays a role in maintaining both employee satisfaction and company performance.

DISABLED EMPLOYEES

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company seeks to continue employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The directors have the benefit of the indemnity provisions contained in the company's Articles and the company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the company, the directors and its officers. The company has entered into qualifying third party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

SANOH UK MANUFACTURING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the company since the year end.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



P Davis
Director

Date: 12 October 2021

Independent auditors' report to the members of Sanoh UK Manufacturing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sanoh UK Manufacturing Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2021; the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the analysis of net debt for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Director's responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs (UK) 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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate the financial result for the year. Audit procedures performed by the engagement team included:

- Reviewed Board meeting minutes, and held discussions with the Board including consideration of any known or suspected instances of non-compliance with laws and regulations or fraud
- identifying and testing journal entries, in particular any journal entries posted that have an unexpected account combination to revenue
- designing our audit procedures to incorporate unpredictability around the nature, timing or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Nick Muzzlewhite (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
20 October 2021

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £000	2020 £000
Turnover	5	11,296	17,108
Change in stocks of finished goods and work in progress		(246)	(104)
Own work capitalised		90	9
Other operating income	6	879	137
Raw materials and consumables		(5,956)	(9,778)
Other external charges		(848)	(973)
Gross profit		5,215	6,399
Staff costs		(4,387)	(5,070)
Depreciation and amortisation		(592)	(706)
Operating profit	7	236	623
Other Interest receivable and similar income	11	1	19
Interest payable and similar charges		(1)	-
Profit before tax		236	642
Tax on profit	12	(41)	(149)
Profit for the financial year		195	493
Other comprehensive income for the year			
Total comprehensive income for the year		195	493

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 17 to 33 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED
REGISTERED NUMBER:02607806

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	14	47	50
Tangible assets	15	3,616	4,085
		<u>3,663</u>	<u>4,135</u>
Current assets			
Stocks	16	1,600	2,213
Debtors: amounts falling due within one year	17	2,910	2,672
Current asset investments	18	-	1,500
Cash at bank and in hand	19	3,842	2,554
		<u>8,352</u>	<u>8,939</u>
Creditors: amounts falling due within one year	20	(2,135)	(3,005)
Net current assets		<u>6,217</u>	<u>5,934</u>
Total assets less current liabilities		<u>9,880</u>	<u>10,069</u>
Provisions for liabilities			
Deferred tax	22	(88)	(78)
Net assets		<u>9,792</u>	<u>9,991</u>
Capital and reserves			
Called up share capital	23	390	390
Capital redemption reserve	24	1,170	1,170
Profit and loss account	24	8,232	8,431
		<u>9,792</u>	<u>9,991</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P Davis
Director

Date: 12 October 2021

The notes on pages 17 to 33 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2019	390	1,170	10,438	11,998
Comprehensive income for the year				
Profit for the financial year	-	-	493	493
Dividends: Equity capital	-	-	(2,500)	(2,500)
At 1 April 2020	390	1,170	8,431	9,991
Comprehensive income for the year				
Profit for the financial year	-	-	195	195
Dividends: Equity capital	-	-	(394)	(394)
At 31 March 2021	390	1,170	8,232	9,792

The notes on pages 17 to 33 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	2021	2020
	£000	£000
Cash flows from operating activities		
Profit for the financial year	195	493
Adjustments for:		
Amortisation of intangible assets	8	7
Depreciation of tangible assets	586	699
Loss on disposal of tangible assets	47	38
Interest paid	1	-
Interest received	(1)	(19)
Taxation charge	41	149
Decrease in stocks	613	113
(Increase)/decrease in debtors	(213)	1,093
(Decrease) in creditors	(759)	(1,034)
Corporation tax (paid)	(167)	(241)
Net cash generated from operating activities	351	1,298
Cash flows from investing activities		
Purchase of intangible fixed assets	(5)	-
Purchase of tangible fixed assets	(182)	(88)
Sale of tangible fixed assets	18	24
Interest received	1	19
Transfers into deposit account	-	(1,500)
Transfers out of deposit account	1,500	2,500
Net cash from investing activities	1,332	955
Cash flows from financing activities		
Dividends paid	(394)	(2,500)
Interest paid	(1)	-
Net cash used in financing activities	(395)	(2,500)

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £000	2020 £000
Net increase/(decrease) in cash and cash equivalents	1,288	(247)
Cash and cash equivalents at beginning of year	2,554	2,801
Cash and cash equivalents at the end of year	3,842	2,554
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,842	2,554
	3,842	2,554

The notes on pages 17 to 33 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2021

	At 1 April 2020 £000	Cash flows £000	At 31 March 2021 £000
Cash at bank and in hand	2,554	1,288	3,842
Liquid investments	1,500	(1,500)	-
	<u>4,054</u>	<u>(212)</u>	<u>3,842</u>

The notes on pages 17 to 33 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. GENERAL INFORMATION

Sanoh UK Manufacturing Limited's ("the company") principal activity is the manufacture of steel and nylon tubular products for the automotive industry from factories in Bristol, Sunderland and Swindon.

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is: Grandeur Point, Fourth Way, Avonmouth, Bristol, BS11 8DL.

The financial statements cover the individual company only. They are presented in sterling and rounded to the nearest £000.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

3. ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

3. ACCOUNTING POLICIES (continued)

3.3 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Software	- 10 % to 33 1/3% on a straight line basis
----------	--

3.4 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Long-term leasehold property	- Over the lease term
Plant, machinery and office equipment	- 10% to 33 1/3% on a straight line basis
Motor vehicles	- 35% on a reducing balance basis
Assets in the course of construction	- Nil

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

3.5 OPERATING LEASES

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. ACCOUNTING POLICIES (continued)

3.6 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

3.7 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.8 CURRENT ASSET INVESTMENTS

Current asset investments consist of deposits held with banks in call accounts paying enhanced interest when no withdrawals are made. During the reporting period withdrawals were available on either a 32 day or a same working day basis. They are measured at amortised cost in the financial statements.

3.9 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

3.10 FINANCIAL INSTRUMENTS

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

3. ACCOUNTING POLICIES (continued)

3.10 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.11 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3.12 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

Coronavirus Job Retention Scheme

As a result of the covid-19 virus the government offered a grant to business to enable them to fund 80% of payroll costs, up to £2,500. Employees who were on the payroll before the 19th of March were eligible to be covered this government grant. The grant was calculated based upon the monthly average hours worked before the pandemic and claims were submitted on a monthly basis. Income received from the Coronavirus job retention scheme is included within other operating income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

3. ACCOUNTING POLICIES (continued)

3.13 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

3.14 FINANCE COSTS

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.15 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3.16 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in other creditors as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

3.17 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

3. ACCOUNTING POLICIES (continued)

3.18 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

3.19 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

4. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 102 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily available from other sources. Actual results may subsequently differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical accounting estimates or judgments adopted by management applicable to this company.

5. TURNOVER

The whole of the turnover is attributable to the manufacture of components for the car industry.

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	10,681	15,375
Rest of Europe	539	1,640
Rest of the world	76	93
	<u>11,296</u>	<u>17,108</u>

6. OTHER OPERATING INCOME

	2021 £000	2020 £000
Other operating income	28	137
Coronavirus Job Retention Scheme	851	-
	<u>879</u>	<u>137</u>

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

7. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of tangible fixed assets	586	699
Amortisation of intangible assets	8	7
Exchange differences	(53)	-
Other operating lease rentals	-	157
	<u>541</u>	<u>863</u>

8. AUDITORS' REMUNERATION

	2021 £000	2020 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	25	26
	<u>25</u>	<u>26</u>

**FEES PAYABLE TO THE COMPANY'S AUDITORS AND ITS
ASSOCIATES IN RESPECT OF:**

Other non-audit services	1	-
	<u>1</u>	<u>-</u>

9. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	3,924	4,529
Social security costs	308	377
Cost of defined contribution scheme	155	164
	<u>4,387</u>	<u>5,070</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Hourly paid	135	164
Staff	31	35
	<u>166</u>	<u>199</u>

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10. DIRECTORS' REMUNERATION

	2021 £000	2020 £000
Directors' emoluments	329	302
Company contributions to defined contribution pension schemes	-	14
	<u>329</u>	<u>316</u>

During the year retirement benefits were accruing to 3 directors (2020: 3 in respect of defined contribution pension schemes).

The highest paid director received remuneration of £172,000 thousand (2020: £179,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,000 thousand (2020: £7,000).

The emoluments of P Davis, R Hill and R Filer are paid by Sanoh UK Manufacturing Limited. All other directors' emoluments are paid by the parent company. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of these directors.

11. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	2020 £000
Other interest receivable	1	19
	<u>1</u>	<u>19</u>

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

12. TAXATION

	2021 £000	2020 £000
CORPORATION TAX		
Current tax on profits for the year	30	191
	30	191
TOTAL CURRENT TAX	30	191
DEFERRED TAX		
Origination and reversal of timing differences	11	(42)
TOTAL DEFERRED TAX	11	(42)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	41	149

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	236	643
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	45	122
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19	18
Capital allowances for year in excess of depreciation	2	50
Short term timing difference leading to an increase (decrease) in taxation	(25)	(41)
TOTAL TAX CHARGE FOR THE YEAR	41	149

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

At the March 2020 budget, which was substantively enacted on 17 March 2020, the government announced that the corporation tax rate would be maintained at 19% for 2020 and 2021. Accordingly, this rate will be used to measure any deferred tax assets and liabilities.

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13. DIVIDENDS

	2021 £000	2020 £000
Dividends paid equivalent to £1.01 (2020: £6.41) per 1 share	<u>394</u>	<u>2,500</u>

14. INTANGIBLE ASSETS

	Software £000
COST	
At 1 April 2020	147
Additions	5
At 31 March 2021	<u>152</u>
AMORTISATION	
At 1 April 2020	97
Charge for the year on owned assets	8
At 31 March 2021	<u>105</u>
NET BOOK VALUE	
At 31 March 2021	<u>47</u>
At 31 March 2020	<u>50</u>

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

15. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Plant, machinery and office equipment £000	Motor vehicles £000	Assets in the course of construction £000	Total £000
COST OR VALUATION					
At 1 April 2020	3,206	8,476	189	-	11,871
Additions	3	16	27	244	290
Disposals	-	(698)	(35)	-	(733)
Transfers between classes	-	6	-	(6)	-
At 31 March 2021	3,209	7,800	181	238	11,428
DEPRECIATION					
At 1 April 2020	1,290	6,377	119	-	7,786
Charge for the year on owned assets	92	457	36	-	585
Disposals	-	(531)	(28)	-	(559)
At 31 March 2021	1,382	6,303	127	-	7,812
NET BOOK VALUE					
At 31 March 2021	1,827	1,497	54	238	3,616
At 31 March 2020	1,917	2,099	71	-	4,087

16. STOCKS

	2021 £000	2020 £000
Raw materials and consumables	1,296	1,662
Work in progress (goods to be sold)	202	392
Finished goods and goods for resale	102	159
	1,600	2,213

Stock recognised in cost of sales during the year as an expense was £5,956,000 (2020: £9,778,000).

The difference between purchase price or production cost of stocks and their replacements costs is not material.

SANOH UK MANUFACTURING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021****17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £000	2020 £000
Trade debtors	2,657	2,334
Amounts owed by group undertakings	17	137
Other debtors	50	21
Prepayments and accrued income	186	180
	<u>2,910</u>	<u>2,672</u>

18. CURRENT ASSET INVESTMENTS

	2021 £000	2020 £000
Cash deposits	-	1,500
	<u>-</u>	<u>1,500</u>

The cash on deposit amount shown above consists of a call account paying enhanced interest when no withdrawals are made. Withdrawals were available on either a 32 day or a same working day basis.

19. CASH AND CASH EQUIVALENTS

	2021 £000	2020 £000
Cash at bank and in hand	3,842	2,554
	<u>3,842</u>	<u>2,554</u>

SANOH UK MANUFACTURING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021****20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £000	2020 £000
Trade creditors	736	1,834
Amounts owed to group undertakings	278	400
Corporation tax	-	110
Other taxation and social security	587	230
Other creditors	68	70
Accruals and deferred income	466	361
	<u>2,135</u>	<u>3,005</u>

There is a £200,000 guarantee in favour of HMRC and supported by Lloyds Bank plc. The guarantee is in relation to a deferment account for import VAT and duties.

PREFERENCE SHARE CAPITAL

At 31 March 2021 the company had 1,500,000 (2020: 1,500,000) redeemable preference shares of £1 each which were authorised but not allotted or called up.

21. FINANCIAL INSTRUMENTS

	2021 £000	2020 £000
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	-	1,500

Financial assets measured at fair value through the Statement of Comprehensive Income comprise investments in short term deposit accounts.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, accruals and other creditors.

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

22. DEFERRED TAXATION

	2021 £000	2020 £000
At beginning of year	(78)	(119)
Charged/(Credited) to the statement of comprehensive income	(10)	41
AT END OF YEAR	(88)	(78)

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(89)	(85)
Short term timing differences	1	7
	(88)	(78)

23. SHARE CAPITAL

	2021 £000	2020 £000
ALLOTTED, CALLED UP AND FULLY PAID		
390,000 (2020: 390,000) Ordinary shares of £1 each	390	390

24. RESERVES

Capital redemption reserve

The capital redemption reserve represents the nominal value of share capital issued by the company which it has subsequently repurchased.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

25. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £155,000 (2020: £164,000). At the balance sheet date there was a pension liability of £26,148 (2020: £28,852).

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

26. COMMITMENTS UNDER OPERATING LEASES

At 31 March the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£000	£000
Not later than 1 year	121	110
Later than 1 year and not later than 5 years	95	74
Later than 5 years	2,121	1,556
	2,337	1,740

27. RELATED PARTY TRANSACTIONS

	2021	2020
	£000	£000
Supply of goods and services by Sanoh Industrial Company Ltd	18	3
Supply of goods and services by Sanoh America Inc.	742	1,029
Supply of goods and services to Sanoh Europe (France) EURL	67	500
Supply of goods and services to Sanoh Industrial Company Ltd	-	2
Supply of goods and services to Sanoh Europe GMBH	-	9
Supply of goods and services to Sanoh Magyar	324	815
Supply of goods and services to Geiger Automotive GMBH	-	1
Supply of goods and services by Sanoh Europe (France) EURL	1	-
Supply of goods and services by Sanoh Magyar	4	-
Transactions with Alconix		
Supply of goods and services by Alconix Corporation	(1,467)	3,304
Balances due from/(to) related parties at the year end are:		
Sanoh Industrial Company Ltd	(5)	-
Sanoh America Inc.	(273)	(400)
Sanoh Europe (France) EURL	-	80
Alconix Corporation	(132)	(625)
Sanoh Europe GMBH	-	-
Sanoh Magyar	17	57
	(393)	(888)

These transactions were undertaken under normal commercial terms and conditions.

No loans were made to directors during the year (2020: No loans were made).

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

28. CONTROLLING PARTY

The immediate and ultimate parent undertaking and the controlling party of the company is Sanoh Industrial Company Ltd of Japan. It is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Sanoh Industrial Company Ltd consolidated financial statements can be obtained from Sanoh Industrial Company Ltd, Koga Office, 4-2-27 Honcho, Koga, Ibaraki 306-0023, Japan.