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***Kaga Electronics Co., Ltd.  
and Consolidated Subsidiaries***

*Consolidated Financial Statements for the  
Year Ended March 31, 2020  
and Independent Auditor's Report*



## Independent Auditor's Report

To the Board of Directors of Kaga Electronics Co., Ltd.

### Opinion

We have audited the consolidated financial statements of Kaga Electronics Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income and comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

We draw attention to Note 16 to these consolidated financial statements, which refers to that as a subsequent event, at the board of directors' meeting held on December 9, 2019, Kaga Electronics Co., Ltd. resolved to conclude a share transfer agreement with CITY INDEX ELEVENTH CO., Ltd. with respect to the outstanding shares issued by EXCEL CO., LTD., and concluded the agreement on the same date. The acquisition of EXCEL CO., LTD. shares under the agreement was executed on April 1, 2020, upon which EXCEL CO., LTD. became the Company's wholly-owned subsidiary. Our opinion is not modified in respect of this matter.

### Responsibilities of Management, Audit & Supervisory Board and each Audit & Supervisory Board Member 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 and disclosing, as applicable, matters related to going concern.



The audit & supervisory board and each audit & supervisory board member are responsible for overseeing 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, and 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express 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 presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, 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 the audit & supervisory board and each audit & supervisory board member 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 the audit & supervisory board and each audit & supervisory board member with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020, are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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.

好田 健祐 


Kensuke Kodai

Designated Engagement Partner  
Certified Public Accountant

矢野 貴洋 

Takayoshi Yano

Designated Engagement Partner  
Certified Public Accountant

新田 将貴 

Masaki Nitta

Designated Engagement Partner  
Certified Public Accountant

*PricewaterhouseCoopers Arata LLC*

September 11, 2020

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheet At March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2019	2020	2020
CURRENT ASSETS:			
Cash and bank deposits	¥ 35,003	¥ 43,384	\$ 398,649
Notes and accounts receivable-trade※3	96,145	85,495	785,587
Electronically recorded monetary claims※3	5,361	5,876	53,994
Short-term investment securities	261	254	2,334
Merchandise and finished goods	33,734	25,276	232,261
Work in process	489	567	5,217
Raw materials and supplies	5,802	6,063	55,713
Others	5,894	7,601	69,845
Allowance for doubtful accounts	(296)	(188)	(1,730)
Total CURRENT ASSETS	182,396	174,331	1,601,873
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	9,436	13,899	127,716
Accumulated depreciation	(4,526)	(6,533)	(60,033)
Buildings and structures, net	4,910	7,365	67,682
Machinery, equipment and vehicles	8,266	10,163	93,392
Accumulated depreciation	(4,760)	(5,685)	(52,245)
Machinery, equipment and vehicles, net	3,506	4,477	41,146
Tools, furniture and fixtures	5,119	5,092	46,797
Accumulated depreciation	(4,015)	(4,032)	(37,049)
Tools, furniture and fixtures, net	1,104	1,060	9,747
Land	4,861	4,924	45,246
Construction in progress	628	145	1,334
Total PROPERTY, PLANT AND EQUIPMENT	15,011	17,974	165,158
INTANGIBLE ASSETS			
Goodwill	259	322	2,965
Software	1,819	1,743	16,023
Others	126	190	1,746
Total INTANGIBLE ASSETS	2,206	2,256	20,734
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1	10,085	8,502	78,122
Deferred tax assets	1,292	1,584	14,557
Guarantee deposits	870	857	7,875
Insurance funds	951	894	8,216
Others	1,462	1,791	16,457
Allowance for doubtful accounts	(515)	(552)	(5,078)
Total INVESTMENTS AND OTHER ASSETS	14,147	13,075	120,150
Total NONCURRENT ASSETS	31,364	33,306	306,043
Total ASSETS	¥ 213,761	¥ 207,638	\$ 1,907,917

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheet At March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>
<b>CURRENT LIABILITIES:</b>			
Notes and accounts payable-trade ※3	¥ 77,884	¥ 70,188	\$ 644,936
Short-term loans payable	30,656	6,540	60,094
Accrued expenses	5,307	5,739	52,741
Income taxes payable	1,147	1,884	17,314
Provision for directors' bonuses	105	101	930
Others	6,239	9,201	84,550
Total CURRENT LIABILITIES	121,340	93,655	860,569
<b>NONCURRENT LIABILITIES:</b>			
Long-term loans payable	1,882	20,833	191,431
Deferred tax liabilities	1,300	1,378	12,665
Provision for directors' retirement benefits	94	95	873
Net defined benefit liabilities	1,997	1,969	18,093
Asset retirement obligations	280	329	3,029
Others	2,606	3,127	28,733
Total NONCURRENT LIABILITIES	8,161	27,732	254,827
Total LIABILITIES	129,501	121,388	1,115,396
<b>NET ASSETS:</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	12,133	12,133	111,490
Capital surplus	13,865	13,878	127,522
Retained earnings	51,297	55,091	506,212
Treasury stock	(2,024)	(2,005)	(18,427)
Total SHAREHOLDERS' EQUITY	75,272	79,097	726,797
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>			
Changes in the fair value of available-for-sale securities	1,018	0	2
Deferred gains or losses on hedges	2	28	262
Foreign currency translation adjustment	527	(707)	(6,501)
Remeasurements of defined benefit obligations	(215)	(133)	(1,228)
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	1,332	(812)	(7,464)
Non-controlling interests	7,654	7,965	73,188
Total NET ASSETS	84,259	86,250	792,520
Total LIABILITIES AND NET ASSETS	¥ 213,761	¥ 207,638	\$ 1,907,917

The accompanying notes are an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Net sales	¥ 292,779	¥ 443,615	\$ 4,076,221
Cost of sales ※2	257,233	396,598	3,644,202
Gross profit	35,546	47,016	432,019
Selling, general and administrative expenses ※1, 2	27,976	37,001	339,995
Operating income	7,570	10,014	92,023
NON-OPERATING INCOME			
Interest income	174	269	2,477
Dividend income	175	199	1,835
Commission fee	209	228	2,095
Foreign exchange gains	-	275	2,530
House rent income	106	126	1,165
Others	349	385	3,541
Total NON-OPERATING INCOME	1,015	1,485	13,645
NON-OPERATING EXPENSES			
Interest expenses	200	308	2,830
Share of loss of entities accounted for using equity method	194	905	8,318
Foreign exchange losses	177	-	-
Others	153	149	1,374
Total NON-OPERATING EXPENSES	726	1,362	12,523
Ordinary income	7,859	10,137	93,146
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	17	61	564
Gain on sales of investment securities	215	135	1,246
Gain on negative goodwill	2,164	-	-
Gain on transfer of business	7	12	115
Settlement received	-	498	4,580
Others	-	1	13
Total EXTRAORDINARY INCOME	2,403	709	6,520
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	16	12	117
Loss on sales of investment securities	2	57	525
Loss on valuation of investment securities	550	880	8,086
Loss on valuation of golf club membership	6	-	-
Special retirement expenses	-	199	1,833
Impairment loss	31	380	3,495
Others	8	30	278
Total EXTRAORDINARY LOSS	¥ 614	¥ 1,560	\$ 14,337

## Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Income before income taxes	¥ 9,649	¥ 9,286	\$ 85,329
Income taxes-current	1,477	3,054	28,062
Income taxes-deferred	120	(61)	(562)
Total income taxes	1,597	2,992	27,499
Net income	8,051	6,293	57,829
Profit attributable to owners of the parent	8,014	5,852	53,776
Profit attributable to non-controlling interests	37	441	4,053
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	(489)	(1,018)	(9,354)
Deferred gains or losses on hedges	18	26	239
Foreign currency translation adjustment	307	(1,260)	(11,578)
Remeasurements of defined benefit obligations, net of tax	9	68	624
Share of other comprehensive income of entities accounted for using equity method	(49)	(104)	(955)
Total OTHER COMPREHENSIVE INCOME ※5	(203)	(2,288)	(21,024)
Comprehensive income	¥ 7,848	¥ 4,005	\$ 36,805
Comprehensive income attributable to:			
Owners of the parent	¥ 7,801	¥ 3,708	\$ 34,071
Non-controlling interests	47	297	2,733

The accompanying notes are an integral part of these financial statements.



# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2020

Fiscal year ended March 31, 2019

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	¥ 12,133	¥ 13,853	¥ 45,183	¥ (2,042)	¥ 69,127
Changes of items during period					
Dividends from surplus			(2,057)		(2,057)
Profit attributable to owners of the parent			8,014		8,014
Purchase of treasury stock				(1)	(1)
Disposal of treasury shares		12		24	36
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Change in scope of equity method			156	(4)	152
Net changes of items other than shareholders' equity					
Total changes of items during period	—	12	6,113	18	6,144
Total	¥ 12,133	¥ 13,865	¥ 51,297	¥ (2,024)	¥ 75,272

	Millions of Yen						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of period	¥ 1,504	¥ (16)	¥ 148	¥ (208)	¥ 1,428	¥ 75	¥ 70,631
Changes of items during period							
Dividends from surplus							(2,057)
Profit attributable to owners of the parent							8,014
Purchase of treasury stock							(1)
Disposal of treasury shares							36
Change in treasury shares arising from change in equity in entities accounted for using equity method							(0)
Change in scope of equity method							152
Net changes of items other than shareholders' equity	(486)	18	378	(6)	(96)	7,579	7,482
Total changes of items during period	(486)	18	378	(6)	(96)	7,579	13,627
Total	¥ 1,018	¥ 2	¥ 527	¥ (215)	¥ 1,332	¥ 7,654	¥ 84,259

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2020

Fiscal year ended March 31, 2020

	Millions of Yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of period	¥ 12,133	¥ 13,865	¥ 51,297	¥ (2,024)	¥ 75,272
Changes of items during period					
Dividends from surplus			(2,058)		(2,058)
Profit attributable to owners of the parent			5,852		5,852
Purchase of treasury stock				(0)	(0)
Disposal of treasury shares		12		19	31
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	12	3,793	18	3,825
Total	¥ 12,133	¥ 13,878	¥ 55,091	¥ (2,005)	¥ 79,097

	Millions of Yen						
	Accumulated other comprehensive income						Total net assets
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of period	¥ 1,018	¥ 2	¥ 527	¥ (215)	¥ 1,332	¥ 7,654	¥ 84,259
Changes of items during period							
Dividends from surplus							(2,058)
Profit attributable to owners of the parent							5,852
Purchase of treasury stock							(0)
Disposal of treasury shares							31
Change in treasury shares arising from change in equity in entities accounted for using equity method							(0)
Net changes of items other than shareholders' equity	(1,017)	26	(1,234)	81	(2,144)	310	(1,834)
Total changes of items during period	(1,017)	26	(1,234)	81	(2,144)	310	1,990
Total	¥ 0	¥ 28	¥ (707)	¥ (133)	¥ (812)	¥ 7,965	¥ 86,250

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2020

Fiscal year ended March 31, 2020

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of period	\$ 111,490	\$ 127,407	\$ 471,350	\$ (18,598)	\$ 691,650
Changes of items during period					
Dividends from surplus			(18,914)		(18,914)
Profit attributable to owners of the parent			53,776		53,776
Purchase of treasury stock				(7)	(7)
Disposal of treasury shares		115		176	292
Change in treasury shares arising from change in equity in entities accounted for using equity method				1	1
Net changes of items other than shareholders' equity					
Total changes of items during period	—	115	34,862	170	35,147
Total	\$ 111,490	\$ 127,522	\$ 506,212	\$ (18,427)	\$ 726,797

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						Total net assets
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of period	\$ 9,355	\$ 19	\$ 4,843	\$ (1,978)	\$ 12,239	\$ 70,338	\$ 774,228
Changes of items during period							
Dividends from surplus							(18,914)
Profit attributable to owners of the parent							53,776
Purchase of treasury stock							(7)
Disposal of treasury shares							292
Change in treasury shares arising from change in equity in entities accounted for using equity method							1
Net changes of items other than shareholders' equity	(9,353)	242	(11,344)	749	(19,702)	2,849	(16,854)
Total changes of items during period	(9,353)	242	(11,344)	749	(19,702)	2,849	18,294
Total	\$ 2	\$ 262	\$ (6,501)	\$ (1,228)	\$ (7,464)	\$ 73,188	\$ 792,520

The accompanying notes are an integral part of these financial statements.

## Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Cash Flows For the Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 9,649	¥ 9,286	\$ 85,329
Depreciation and amortization	1,740	2,754	25,305
Impairment loss	31	380	3,495
Amortization of goodwill	85	98	909
(Decrease) Increase in net defined benefit liability	(58)	8	74
Decrease in provision for directors' retirement benefits	(4)	(1)	(16)
(Decrease) Increase in provision for directors' bonuses	(160)	30	278
Increase in allowance for doubtful accounts	53	0	6
Interest and dividend income	(351)	(469)	(4,312)
Interest expenses	200	308	2,830
Share of profit of entities accounted for using equity method	194	905	8,318
Gain on sales of property, plant and equipment	(10)	(43)	(397)
Loss on retirement of property, plant and equipment	16	12	117
Gain on sales of investment securities	(212)	(78)	(721)
Loss on valuation of investment securities	550	880	8,086
Gain on negative goodwill	(2,164)	-	-
Settlement received	-	(498)	(4,580)
(Increase) Decrease in notes and accounts receivable-trade	(1,152)	9,086	83,494
(Increase) Decrease in inventories	(2,145)	7,658	70,373
Decrease in notes and accounts payable-trade	(6,746)	(6,667)	(61,260)
Increase in accounts receivable-other	(207)	(1,149)	(10,560)
Increase in accrued expenses	552	384	3,528
Decrease (Increase) in advance payments	292	(1,431)	(13,157)
(Increase) Decrease in consumption taxes refund receivable	(2)	266	2,452
(Increase) Decrease in other current assets	(191)	93	859
Increase in other current liabilities	276	2,106	19,358
Others, net	135	(350)	(3,219)
Subtotal	371	23,571	216,593
Interest and dividend income received	349	481	4,427
Interest expenses paid	(189)	(316)	(2,904)
Income taxes paid	(2,078)	(1,829)	(16,811)
Settlement package received	-	498	4,580
Others, net	0	0	1
Net cash provided by (used in) operating activities	¥ (1,547)	¥ 22,406	\$ 205,886

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows For the Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (2,661)	¥ (893)	\$ (8,207)
Proceeds from withdrawal of time deposits	1,944	2,924	26,874
Purchase of property, plant and equipment	(3,027)	(3,276)	(30,104)
Proceeds from sales of property, plant and equipment	111	271	2,497
Purchase of intangible assets	(420)	(355)	(3,262)
Purchase of investment securities	(2,977)	(2,180)	(20,035)
Proceeds from sales of investment securities	575	651	5,983
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(286)	(321)	(2,953)
Payments of short-term loans receivable	(2)	(551)	(5,063)
Collection of short-term loans receivable	3	1	18
Purchase of insurance funds	(13)	(2)	(24)
Proceeds from cancellation of insurance funds	10	59	545
Payments for guarantee deposits	(29)	(34)	(321)
Proceeds from collection of guarantee deposits	25	41	382
Other payments	(125)	(96)	(885)
Other proceeds	12	108	1,000
Net cash used in investing activities	(6,860)	(3,651)	(33,556)
NET CASH USED IN FINANCING ACTIVITIES			
Increase in short-term loans payable	15,137	(24,038)	(220,884)
Proceeds from long-term loans payable	-	20,266	186,223
Repayment of long-term loans payable	(1,269)	(1,312)	(12,063)
Purchase of treasury stock	(1)	(0)	(7)
Cash dividends paid	(2,054)	(2,056)	(18,892)
Others, net	(127)	(402)	(3,697)
Net cash (used in) provided by financing activities	11,684	(7,544)	(69,321)
Effect of exchange rate change on cash and cash equivalents	75	(748)	(6,878)
Net increase in cash and cash equivalents	3,352	10,461	96,129
Cash and cash equivalents-beginning balance	28,879	32,231	296,165
Cash and cash equivalents-ending balance ※1	¥ 32,231	¥ 42,693	\$ 392,295

The accompanying note is an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements For the Year Ended March 31, 2020

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements 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 conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kaga Electronics Co., Ltd. (the "Company") is incorporated and operates. Amounts less than ¥1 million have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *a. Consolidation*

The consolidated financial statements include accounts of the Company and all of its subsidiaries (52 in 2019 and 53 in 2020) (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

There are three equity method affiliates, SICOX CORPORATION, OTAX Co., Ltd, Shuzou Kaga Intelligent Equipment Co., LTD. For those companies accounted for under the equity method whose fiscal year-end differs from the consolidated fiscal year-end, the financial statements of those companies for their respective fiscal years are used.

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

The fiscal year-end of some of the Company's consolidated subsidiaries (15 in 2019 and 2020) is December 31. The consolidated financial statements incorporate accounts of these companies with adjustments for significant intercompany transactions arising during the period from January 1 to March 31.

#### *b. Cash Equivalents*

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.

#### *c. Inventories*

The Company and its domestic subsidiaries state specific merchandise inventories ordered by customers at the lower of cost, determined by the specific identification method, or market value and that other merchandise inventories at the lower of cost, determined principally by the moving-average method, or market value.

**d. 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 measured at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in a component of other comprehensive income.

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

**e. Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to the consolidated statement of income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, facilities attached to buildings and structures acquired after April 1, 2016, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	2 to 12 years
Tools, furniture and fixtures	2 to 20 years

**f. Goodwill**

Goodwill is amortized by the straight-line method principally over a period of 5 years.

**g. Software**

Software is amortized using the straight-line method over its estimated useful life.

Internal use software	5 years
Software for sale	3 years

**h. Retirement and Pension Plans**

To prepare for disbursement of employees' retirement benefits under the defined benefit plan, a defined benefit liability, which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year, is recognized. The retirement benefit obligations are calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on the benefit formula basis. Past service cost is primarily amortized on a straight-line method over a fixed number of years (10 years), which is shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is primarily amortized from the following year on a straight-line method over a fixed number of years (principally 10 years), which is shorter than the average remaining years of service of the eligible employees. Actuarial gain and loss and past service costs that are yet to be recognized as gains or losses are recorded as remeasurements of defined benefit obligations presented in other comprehensive income, after being adjusted for tax effects.

**i. Leases**

The Company applies the lease accounting standard, which requires all finance lease transactions be capitalized in the balance sheet.

**j. Allowance for doubtful accounts**

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount based on the historical bad debt ratio during a certain reference period in addition to an estimated uncollectible amount based on the analysis of certain individual accounts.

**k. Provision for directors' bonuses**

Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

***l. Provision for directors' retirement benefits***

The Company accrues liabilities related to retirement benefit obligations for directors and corporate auditors, which is, in general, based upon the amounts required by the internal rules.

***m. Translation of Foreign Currencies***

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, and differences arising from the translation are charged or credited to the consolidated statement of income.

Assets and liabilities of the foreign subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments after being adjusted for non-controlling interests and tax effects.

***n. Derivatives and Hedging Activities***

***(1) Hedge accounting method***

The Company applies the deferred hedge method. The Company, however, adopts the allocation method to account for forward exchange contracts if the requirements for the allocation method are met. The Company also adopts the special method to account for interest rate swaps, which meet the requirements for specific matching criteria.

***(2) Hedging instruments and hedged items***

***(Hedging instruments)***

Foreign currency forward contract transactions

NDF transactions

Interest rate swaps

***(Hedged items)***

Assets and liabilities denominated in foreign currencies

Interest rates on long-term loans payable

***(3) Hedging policy***

The Company determines the hedging policy based on the internal rules. Foreign currency forward contracts where there is expected risk such as fluctuation in foreign exchange are used. Interest rate swaps where there is expected risk such as fluctuation in interest rates on long-term loans payable are used.

***(4) Assessment of hedge effectiveness***

Hedge effectiveness is assessed by comparing the changing ratio of cash flows arising from the hedged items to the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. Also, regarding interest rate swaps, the Company omits assessment of hedge effectiveness based upon the fulfillment of the requirements for specific matching criteria.

***o. Accounting for consumption tax***

Consumption tax on goods and services is not included in the revenue and expense amounts.

***p. Application of Consolidated Taxation regime***

The Company has adopted the consolidated taxation regime.

***q. Application of tax effect accounting for the transition from a consolidated tax payment system to a group summation system***

As for the items subject to review in conjunction with the transition to the combined group taxation system and the transition to the combined group taxation system established in the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the provisions in paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) were not applied, and therefore the amount of deferred tax assets and deferred tax liabilities were treated in accordance with the provisions of the tax law before the revision in accordance with paragraph 3 of "Treatment of Deferred Tax Assets and Deferred Tax Liabilities" (PITF No. 39, March 31, 2020).



**r. Changes in accounting policies**

(IFRS 16 “Leases”)

Subsidiaries that adopt International Financial Reporting Standards are applying International Financial Reporting Standard 16 “Leases” (hereafter, “IFRS 16”) from the beginning of the fiscal year ended March 31, 2020. In accordance with the standards, right-of-use assets and lease liabilities are recognized in principle for all of the lessee’s lease transactions, and depreciation of right-of-use assets and interest on lease liabilities are recorded.

In the adoption of IFRS 16, the transition provisions are applied, opting therefore to measure lease liability at the present value, discounted using lessee’s incremental borrowing rate at the date of initial application, and record this same amount for right-of-use asset.

As a result of the application of IFRS 16, the following items increased as of March 31, 2020: in non-current assets, “buildings and structures (net)” by ¥1,039 million, “machinery, equipment and vehicles (net)” by ¥2 million, and “tools, furniture and fixtures (net)” by ¥1 million; “other” in current liabilities by ¥260 million, and “other” in non-current liabilities by ¥740 million.

The effect of this change on profit and loss for this consolidated fiscal year ended March 31, 2020 is immaterial.

**s. Standards and Guidance not yet adopted**

The following standards and guidance were issued but not yet adopted.

- ***Accounting Standard for Revenue Recognition (ASBJ Statement No.29, issued by the Accounting Standards Board of Japan on March 31, 2020)***
- ***Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, issued by the Accounting Standards Board of Japan on March 31, 2020)***

**(1) Overview**

The International Accounting Standards Board (IASB) and the U.S Financial Accounting Standards Board (FASB), which jointly developed comprehensive accounting standards for revenue recognition, announced in May 2014 the release of their respective new revenue standards, both of which are named Revenue from Contracts with Customers (IASB: International Financial Reporting Standard 15 (IFRS 15); FASB: Topic 606). IFRS 15 is effective from annual reporting periods beginning on or after January 1, 2018; FASB Topic 606 is effective from annual reporting periods beginning after December 15, 2017. In light of this development, the Accounting Standards Board of Japan (ASBJ) developed and issued a comprehensive accounting standard for revenue recognition and its implementation guidance. In developing the accounting standard for revenue recognition, the ASBJ retained as its basic policy the objective of ensuring the comparability of financial statements, and as such established the standard to drive consistency with IFRS 15, starting by incorporating the basic principles of IFRS 15 and providing some further accounting treatment provisions pertinent to the Japanese business environment, to the extent that these do not impair comparability.

**(2) Effective date**

To be applied from the beginning of the fiscal year ending March 31, 2022

**(3) Effects of the application of the standard**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of this new standard on the consolidated financial statements.

- *Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019)*
- *Accounting Standard for Measurement of Inventories (ASBJ Statement No.9, July 4, 2019)*
- *Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019)*
- *Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31, July 4, 2019)*
- *Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 31, 2020)*

(1) Summary

Under the circumstances that IASB and FASB have similar detailed guidance about fair value measurement (IFRS 13-Fair Value Measurement in IFRS and Topic 820 in the Accounting Standards Codification-Fair Value Measurement in U.S. GAAP), ASBJ has made efforts to make the Japanese standards consistent with international accounting standards, mainly regarding the guidance and disclosure of the fair value of financial instruments and has issued.

From the viewpoint of improving the comparability of financial statements between domestic and overseas companies by using a uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, ASBJ has basically incorporated all the provisions of IFRS 13 and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan.

(2) Planned Adoption Date

The Company and its consolidated companies plan to adopt the standards from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of Adoption

The impact of the application of the accounting standards on the consolidated financial statements has not yet been determined.

- *Accounting Standard of Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)*

(1) Summary

Regarding the “causes of estimation uncertainty” required to be disclosed in Paragraph 125 of IAS 1-Presentation of financial statement, issued by the IASB in 2003, ASBJ has developed and issued an accounting standard for the disclosure of accounting estimates because there were requests for greater disclosure under Japanese standard for information that is highly useful to users of financial statements. ASBJ’s basic policy for the development of the accounting standard was not to expand individual notes but to show the principle (disclosure objectives) and specific disclosure content is determined by the disclosure objectives of each company.

(2) Planned Adoption Date

The Company and its consolidated companies plan to adopt the standards from the year-end of the fiscal year ending March 31, 2021.

- *Accounting Standards for Disclosure of Accounting Policies, Changes in Accounting and Correction of Errors (ASBJ Statement No. 24, March 31, 2020)*

(1) Summary

In response to proposal to consider the enhancement of information regarding the “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc., are not clear,” ASBJ made the necessary revisions and announced accounting standards for the disclosure of accounting policies, changes in accounting and correction of errors.

In pursuing the enhancement of information pertaining to “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc., are not clear,” if the relevant accounting standards are clear, the provisions of the Note on Corporate Accounting Principles (Note 1-2) will take over so as not to affect the current practices.

(2) Planned Adoption Date

The Company and its consolidated companies plan to adopt the standards from the year-end of the fiscal year ending March 31, 2021.

(Additional information)

(Accounting Estimate)

Although the spread of COVID-19 infection has a wide-ranging impact on the global economy, lifestyles and corporate activities, the impact on the financial results for the current fiscal year is limited. It is assumed that the impact of the new coronavirus on society would continue and be resolved after a certain period of time, whereas the impact on the Company's business performance onwards would be limited. In terms of accounting estimates, the Company has applied reasonable calculations based on information and facts available at the time of preparation of the consolidated financial statements. However, accounting estimates including the impact of the unprecedented spread of COVID-19 infections are subject to uncertainty, and there may be discrepancies between these estimates and subsequent results.

### 3. NOTES TO CONSOLIDATED BALANCE SHEET

#### ※1. *Investment securities*

Investment securities include the following accounts of affiliated companies.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Capital stock	¥ 1,306	¥ 1,061	\$ 9,749

#### ※2. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥26 million and ¥18 million (US\$ 167 thousands) at March 31, 2019 and 2020, respectively.

#### ※3. *Notes receivable and payable*

The Company and its domestic consolidated subsidiaries record actual cash settlement of the notes on the date of clearance. Since the closing date for the fiscal year ended March 31, 2019 was not a business day for financial institutions, the following notes due to mature on the closing date are included in the year-end balances.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Notes and accounts receivable – trade	¥ 196	¥ —	\$ —
Electronically recorded monetary claims	59	—	—
Notes and accounts payable - trade	63	—	—

#### ※4. *Commitment line contract*

The Company has entered into commitment line contracts with four banks for effective fund-raising:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Total limit of contract	¥ 10,000	¥ 15,000	\$137,829
Loan balances	1,500	—	—
Available amounts	<u>¥ 8,500</u>	<u>¥ 15,000</u>	<u>\$137,829</u>

#### 4. NOTES TO CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

##### ※1. *Selling, general and administrative expenses*

Major items and the amounts under “Selling, general and administrative expenses” are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Salaries and bonuses	¥ 11,903	¥ 16,366	\$ 150,513
Retirement benefit expenses	692	1,110	10,210
Provision for directors’ retirement benefits	226	8	82
Provision for directors’ bonuses	88	92	854
Provision for doubtful accounts	37	(39)	(362)

##### ※2. *Research and development costs*

Research and development costs charged to income are ¥103 million and ¥185 million (US\$ 1,702 thousands) for the years ended March 31, 2019 and 2020, respectively.

##### ※3. *Gain on sales of property, plant and equipment*

Details of gain on sales of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Buildings and structures	¥ 3	¥ —	\$ —
Machinery, equipment and vehicles	6	41	384
Tools, furniture and fixtures	7	7	72
Land	—	11	107
Total	<u>¥ 17</u>	<u>¥ 61</u>	<u>\$ 564</u>

##### ※4. *Loss on disposal of property, plant and equipment*

Details of loss on disposal of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Buildings and structures	¥ 9	¥ 0	\$ 4
Machinery, equipment and vehicles	5	3	36
Tools, furniture and fixtures	1	7	65
Software	—	1	10
Total	<u>¥ 16</u>	<u>¥ 12</u>	<u>\$ 117</u>

※5. Amount of reclassification and income tax effect associated with other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 447	¥ (1,174)	\$ (10,792)
Amount of reclassification	<u>206</u>	<u>(115)</u>	<u>(1,059)</u>
Net gain before income tax effect	654	(1,289)	(11,851)
Income tax effect	<u>(165)</u>	<u>271</u>	<u>2,497</u>
Net unrealized gain or loss on securities, net of Tax	(489)	(1,018)	(9,354)
Deferred gains or losses on hedges			
Amount arising during the period	2	40	369
Amount of reclassification	<u>23</u>	<u>(2)</u>	<u>(24)</u>
Net gain before income tax effect	26	37	345
Income tax effect	<u>(8)</u>	<u>(11)</u>	<u>(105)</u>
Deferred gains or losses on hedges	18	26	239
Foreign currency translation adjustment			
Amount arising during the period	307	(1,260)	(11,578)
Amount of reclassification	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency translation adjustment	307	(1,260)	(11,578)
Remeasurements of defined benefit obligations			
Amount arising during the period	(25)	47	438
Amount of reclassification	<u>39</u>	<u>51</u>	<u>469</u>
Net gain before income tax effect	13	98	908
Income tax effect	<u>(4)</u>	<u>(30)</u>	<u>(283)</u>
Remeasurements of defined benefit obligations	9	68	624
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the period	<u>(49)</u>	<u>(104)</u>	<u>(955)</u>
Total other comprehensive income	¥ <u>(203)</u>	¥ <u>(2,288)</u>	\$ <u>(21,024)</u>

## 5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2019

### 1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2018	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2019
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,267,393	2,731	15,200	1,254,924

Note:

The breakdown of the increase and decrease of common stock is as follows:

Company's portion of treasury shares (shares of the company) held by an equity-method associate: 2,227 shares

Increase as a result of fractional share repurchases: 504 shares

Decrease as a result of the payment of restricted stock to our directors: 15,200 shares

### 2. Dividends

#### (1) Dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2018	Common stock	1,097	40	March 31, 2018	June 29, 2018
Board of Directors' meeting held on November 6, 2018	Common stock	960	35	September 30, 2018	December 7, 2018

#### (2) Dividends whose effective date is after March 31, 2019 with record date during the year ended March 31, 2019.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2019	Common stock	1,235	Retained earnings	45	March 31, 2019	June 28, 2019

For the year ended March 31, 2020

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2019	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2020
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,254,924	358	12,003	1,243,279

Note:

The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of fractional share repurchases: 358 shares

Decrease as a result of the disposition of fractional share: 42 shares

Decrease as a result of the payment of restricted stock to our directors: 11,900 shares

Company's portion of treasury shares (shares of the company) held by an equity-method associate: 61 shares

2. Dividends

(1) Dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 27, 2019	Common stock	1,235 (US\$11,350 thousand)	45 (US\$0.41)	March 31, 2019	June 28, 2019
Board of Directors' meeting held on November 7, 2019	Common stock	823 (US\$7,566 thousand)	30 (US\$0.27)	September 30, 2019	December 6, 2019

(2) Dividends whose effective date is after March 31, 2020 with record date during the year ended March 31, 2020.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 26, 2020	Common stock	1,098 (US\$10,093 thousand)	Retained earnings	40 (US\$0.36)	March 31, 2020	June 29, 2020

## 6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

- ※1. Cash and cash equivalents at March 31, 2019 and 2020 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Cash and bank deposits	¥ 35,003	¥ 43,384	\$ 398,649
Time deposits with a deposit period of more than 3 months	(2,772)	(691)	(6,353)
Cash and cash equivalents	<u>¥ 32,231</u>	<u>¥ 42,693</u>	<u>\$ 392,295</u>

## 7. LEASES

Finance leases that do not transfer ownership of the leased assets to lessees.

Leased assets:

The Group leases buildings, machinery, equipment and vehicles and other assets.

As described in Note 2.i, the lease accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

Future lease payments under non-cancelable operating leases at March 31, 2019 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Due within one year	¥ 11	¥ 19	\$ 175
Due after one year	<u>5</u>	<u>23</u>	<u>213</u>
Total	<u>¥ 16</u>	<u>¥ 42</u>	<u>\$ 389</u>

## 8. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institutions, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

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

Receivables and Payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

### (3) *Risk Management for Financial Instruments*

#### *Credit risk management*

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring the payment terms and balances of major customers by each business administration department to identify the default risk of customers in an early stage.

#### *Market risk management (foreign exchange risk)*

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.



Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

**(4) *Fair Values of Financial Instruments***

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. Please see Note 10 for the detail of fair value for derivatives.

*Cash and bank deposits, receivables and payables, short-term bank loans, accrued expenses, income taxes payables*

The carrying value of the above accounts approximate fair value because of their short maturities.

*Guarantee deposits*

The fair value of guaranteed deposits is calculated by the contract amount supplier presented or calculated from past experience and discounted by a risk free rate.

*Marketable and investment securities*

The fair values of marketable and investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 9.

*Long-term loans payable*

The fair value of long-term loans payable is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

*Derivatives*

The information of the fair value for derivatives is included in Note 10.

(a) Fair Value of Financial Instruments

March 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 35,003	¥ 35,003	¥ —
Notes and accounts receivable-trade	96,145		
Electronically recorded monetary claims	5,361		
Allowance for doubtful accounts ※1	(296)		
	101,211	101,211	—
Short-term investment securities	261	261	—
Investment securities	7,437	7,437	—
Guarantee deposits	536	371	(164)
Total	¥144,450	¥144,285	¥ (164)
Notes and accounts payable-trade	¥ 77,884	¥ 77,884	¥ —
Short-term loans payable	30,656	30,656	—
Accrued expenses	5,307	5,307	—
Income taxes payable	1,147	1,147	—
Long-term loans payable	1,882	1,884	(1)
Total	¥116,878	¥116,880	¥ (1)
Derivatives ※2	¥ (2)	¥ (2)	¥ —

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 43,384	¥ 43,384	¥ —
Notes and accounts receivable-trade	85,495		
Electronically recorded monetary claims	5,876		
Allowance for doubtful accounts ※1	(188)		
	91,183	91,183	—
Short-term investment securities	254	254	—
Investment securities	6,449	6,449	—
Guarantee deposits	529	365	(164)
Total	¥141,801	¥141,637	¥ (164)
Notes and accounts payable-trade	¥ 70,188	¥ 70,188	¥ —
Short-term loans payable	6,540	6,540	—
Accrued expenses	5,739	5,739	—
Income taxes payable	1,884	1,884	—
Long-term loans payable	20,383	20,882	(49)
Total	¥105,186	¥105,235	¥ (49)
Derivatives ※2	¥ (34)	¥ (34)	¥ —

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	\$ 398,649	\$ 398,649	\$ —
Notes and accounts receivable-trade	785,587		
Electronically recorded monetary claims	53,994		
Allowance for doubtful accounts ※1	(1,730)		
	837,851	837,851	—
Short-term investment securities	2,334	2,334	—
Investment securities	59,261	59,261	—
Guarantee deposits	4,868	3,358	(1,509)
Total	<u>\$ 1,302,965</u>	<u>\$ 1,301,455</u>	<u>\$ (1,509)</u>
Notes and accounts payable-trade	\$ 644,936	\$ 644,936	\$ —
Short-term loans payable	60,094	60,094	—
Accrued expenses	52,741	52,741	—
Income taxes payable	17,314	17,314	—
Long-term loans payable	191,431	191,884	(453)
Total	<u>\$ 966,518</u>	<u>\$ 966,971</u>	<u>\$ (453)</u>
Derivatives ※2	<u>\$ (314)</u>	<u>\$ (314)</u>	<u>\$ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

(b) Financial Instruments whose Fair Value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Shares of subsidiaries and related companies	¥ 1,306	¥ 1,061	\$ 9,749
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,341	¥ 991	9,111
Guarantee deposits that do not have a quoted market price in an active market	334	327	3,006

(5) *Redemption Schedule of Monetary Assets and Securities with Contractual Maturities*

March 31, 2019

	Millions of Yen			
	Over 1 year		Over 5 years	
	Within 1 year	within 5 years	within 10 years	Over 10 years
Cash and bank deposits	¥ 35,003	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	96,145	—	—	—
Electronically recorded monetary claims	5,361	—	—	—
Investment securities with maturities	—	27	89	—
Guarantee deposits	41	134	1	191
Total	¥ 136,552	¥ 161	¥ 91	¥ 191

March 31, 2020

		Millions of Yen			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	¥	43,384	¥ —	¥ —	¥ —
Notes and accounts receivable-trade		85,495	—	—	—
Electronically recorded monetary claims		5,876	—	—	—
Investment securities with maturities		16	107	—	—
Guarantee deposits		38	134	1	191
Total	¥	134,811	¥ 241	¥ 1	¥ 191

		Thousands of U.S. Dollars			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	\$	398,649	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		785,587	—	—	—
Electronically recorded monetary claims		53,994	—	—	—
Investment securities with maturities		150	990	—	—
Guarantee deposits		354	1,232	16	1,755
Total	\$	1,238,735	\$ 2,223	\$ 16	\$ 1,755

**(6) The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2019 and 2020 is as follows:**

March 31, 2019

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	29,376	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,280	1,247	635	—	—	—
Total	¥	30,656	¥ 1,247	¥ 635	¥ —	¥ —	¥ —

March 31, 2020

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	5,260	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,279	668	5,032	5,032	5,100	5,000
Total	¥	6,540	¥ 668	¥ 5,032	¥ 5,032	¥ 5,100	¥ 5,000

		Thousands of U.S. Dollars					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	\$	48,335	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		11,758	6,139	46,243	46,243	46,862	45,943
Total	\$	60,094	\$ 6,139	\$ 46,243	\$ 46,243	\$ 46,862	\$ 45,943

## 9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2019 and 2020 consisted of the following:

### (1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Unrealized gains (losses) included in net income for the year	¥ 66	¥ (7)	\$ (69)

### (2) Investment securities with a readily determinable fair value

#### March 31, 2019

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 3,714	¥ 1,546	¥ 2,168
Government and corporate bonds	10	10	0
Others	261	232	28
Subtotal	¥ 3,987	¥ 1,789	¥ 2,197
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	2,560	2,988	(428)
Government and corporate bonds	89	102	(12)
Others	800	856	(56)
Subtotal	¥ 3,450	¥ 3,947	¥ (497)
Total	¥ 7,437	¥ 5,736	¥ 1,700

Note:

Non-marketable equity securities of ¥1,184 million, Investments in associated companies of ¥157 million, and Shares of subsidiaries and related companies of ¥1,306 million are not included in the above because it is not practicable to estimate their fair value due to difficulty in estimating fair value as market price is not available.

#### March 31, 2020

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 2,480	¥ 1,180	¥ 1,300
Government and corporate bonds	10	10	0
Others	160	149	10
Subtotal	¥ 2,651	¥ 1,339	¥ 1,311
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	2,874	3,597	(722)
Government and corporate bonds	97	102	(4)
Others	825	997	(172)
Subtotal	¥ 3,797	¥ 4,697	¥ (899)
Total	¥ 6,449	¥ 6,037	¥ 411

	Thousands of U.S. Dollars		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	\$ 22,795	\$ 10,843	\$ 11,951
Government and corporate bonds	94	91	2
Others	1,473	1,376	97
Subtotal	<u>\$ 24,363</u>	<u>\$ 12,311</u>	<u>\$ 12,051</u>
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	26,415	33,055	(6,640)
Government and corporate bonds	896	941	(45)
Others	7,586	9,169	(1,582)
Subtotal	<u>\$ 34,898</u>	<u>\$ 43,166</u>	<u>\$ (8,268)</u>
Total	<u>\$ 59,261</u>	<u>\$ 55,478</u>	<u>\$ 3,783</u>

Note:

Non-marketable equity securities of ¥838 million (US\$7,708 thousands), Investments in associated companies of ¥152 million (US\$1,402 thousands), and Shares of subsidiaries and related companies of ¥1,061 million (US\$9,749 thousands) are not included in the above because it is not practicable to estimate their fair value due to difficulty in estimating fair value as market price is not available.

(3) Investment securities sold during 2019 and 2020

March 31, 2019

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 522	¥ 215	¥ (2)
Government and corporate bonds	—	—	—
Others	—	—	—
Total	<u>¥ 522</u>	<u>¥ 215</u>	<u>¥ (2)</u>

March 31, 2020

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 218	¥ 135	¥ (39)
Government and corporate bonds	—	—	—
Others	294	—	(17)
Total	<u>¥ 513</u>	<u>¥ 135</u>	<u>¥ (57)</u>

	Thousands of U.S. Dollars		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	\$ 2,004	\$ 1,246	\$ (360)
Government and corporate bonds	—	—	—
Others	2,709	—	(164)
Total	<u>\$ 4,713</u>	<u>\$ 1,246</u>	<u>\$ (525)</u>

(4) Impairment losses recognized on Investment securities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
	¥ 550	¥ 880	\$ 8,074

## 10. DERIVATIVES

### *Derivative Transactions to Which Hedge Accounting Is Applied*

#### (1) Currency related transactions

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2019</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 930	¥ —	¥ (6)
Selling CNY	Receivables	58	—	0
Buying US\$	Payables	2,025	—	8
	Total	<u>¥ 3,014</u>	<u>¥ —</u>	<u>¥ 2</u>

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2020</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 2,788	¥ —	¥ (10)
Selling CNY	Receivables	36	—	0
Buying US\$	Payables	2,551	—	45
Buying CNY	Payables	1	—	0
	Total	<u>¥ 5,377</u>	<u>¥ —</u>	<u>¥ 34</u>

		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 25,618	\$ —	\$ (100)
Selling CNY	Receivables	338	—	(6)
Buying US\$	Payables	23,440	—	421
Buying CNY	Payables	11	—	0
	Total	<u>\$ 49,408</u>	<u>\$ —</u>	<u>\$ 314</u>

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions. The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(2) Interest related transactions

For the year ended March 31, 2019

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen, Thousands of U.S. Dollars		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 968	¥ 581	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

For the year ended March 31, 2020

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen, Thousands of U.S. Dollars		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 13,481 (\$123,874)	¥ 193 (\$ 1,780)	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.



## 11. RETIREMENT BENEFITS

### (1) Outline of retirement benefits plans

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. The defined benefit plans and lump-sum payment plans of some of the consolidated subsidiaries are calculated using the simplified method.

### (2) Defined benefit pension plans

(a) Changes in the retirement benefit obligation for the years ended March 31, 2019 and 2020 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Retirement benefit obligation at the beginning of the year	¥ 4,522	¥ 6,760	\$ 62,115
Increase from newly consolidated subsidiary	2,016	—	—
Service cost	344	452	4,159
Interest cost	23	24	225
Actuarial gains (losses)	80	(75)	(695)
Benefits paid	(227)	(216)	(1,989)
Others	(0)	26	239
Retirement benefit obligation at the end of the year	<u>¥ 6,760</u>	<u>¥ 6,971</u>	<u>\$ 64,055</u>

(b) Changes in the plan assets for the years ended March 31, 2019 and 2020 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Plan assets at fair value at the beginning of the year	¥ 3,868	¥ 5,918	\$ 54,379
Increase from newly consolidated subsidiary	1,733	—	—
Expected return on plan assets	113	112	1,033
Actuarial gains (losses)	61	(25)	(231)
Contributions by the employer	373	443	4,075
Benefits paid	(225)	(216)	(1,989)
Others	(6)	41	385
Plan assets at fair value at the end of the year	<u>¥ 5,918</u>	<u>¥ 6,274</u>	<u>\$ 57,652</u>

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2019 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Net defined benefit liabilities at the beginning of the year	¥ 1,083	¥ 1,155	\$ 10,617
Increase from newly consolidated subsidiary	48	46	429
Retirement benefit expenses	138	175	1,608
Retirement benefits paid	(101)	(110)	(1,015)
Contributions to plan	(13)	(14)	(130)
Net defined benefit liabilities at the end of the year	<u>¥ 1,155</u>	<u>¥ 1,252</u>	<u>\$ 11,508</u>

(d) Reconciliation between the funded status of the plans (retirement benefit obligation and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2019 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Retirement benefit obligation of funded plans	¥ 7,184	¥ 7,452	\$ 68,478
Plan assets	(6,044)	(6,409)	(58,895)
	<u>1,139</u>	<u>1,042</u>	<u>9,583</u>
Retirement benefit obligation of unfunded plans	857	906	8,328
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,997</u>	<u>¥ 1,949</u>	<u>\$ 17,911</u>
Net defined benefit liabilities	<u>1,997</u>	<u>1,949</u>	<u>17,911</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,997</u>	<u>¥ 1,949</u>	<u>\$ 17,911</u>

(e) Components of retirement benefit expenses for the years ended March 31, 2019 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Service cost	¥ 329	¥ 452	\$ 4,158
Interest cost	23	24	224
Expected return on plan assets	(112)	(112)	(1,029)
Amortization of actuarial loss	39	48	445
Amortization of prior service cost	—	—	—
Redundancy pay	7	15	137
Retirement benefit expenses calculated based on the simplified method	<u>138</u>	<u>175</u>	<u>1,608</u>
Others	<u>4</u>	<u>26</u>	<u>245</u>
Retirement benefit expenses for defined benefit pension plans	<u>¥ 430</u>	<u>¥ 630</u>	<u>\$ 5,791</u>

- (f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2019 and 2020 are as follows:

Components of remeasurements of defined benefit obligations, net of tax before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Prior service cost	¥ —	¥ —	\$ —
Actuarial gains and losses	13	98	908
Total	¥ 13	¥ 98	\$ 908

- (g) Remeasurements of defined benefit obligations as of March 31, 2019 and 2020 are as follows:

Components of remeasurements of accumulated defined benefit obligations before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains or losses	310	211	1,947
Total	¥ 310	¥ 211	\$ 1,947

- (h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	2019	2020
General accounts	97.56%	78.02%
Other	2.44%	21.98%
Total	100%	100%

Determining expected long-term rate of return

In determining the long-term rate of return for plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

- (i) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations using the weighted average method

	2019	2020
Discount rate	0.29~0.42%	0.42~0.46%
Expected long-term rate of return	1.20~2.50%	1.20~2.50%

- (3) Defined contribution pension plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
	¥ 330	¥ 609	\$ 5,597

## 12. INCOME TAXES

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 514	¥ 750	\$ 6,893
Retirement benefits for directors and corporate auditors	30	29	272
Retirement benefits for directors (and other officers)	427	401	3,687
Allowance for doubtful accounts	185	206	1,899
Accrued bonuses	685	758	6,974
Net defined benefit liability	618	588	5,404
Tax loss carryforwards	1,137	1,582	14,541
Devaluation of inventories	509	337	3,097
Impairment loss	181	256	2,356
Deferred tax assets of the planned liquidation company	—	105	967
Others	1,473	1,748	16,070
Sub-total	5,763	6,765	62,165
Valuation allowance on tax loss carryforwards	(697)	(1,149)	(10,558)
Valuation allowance on deductible temporary differences	(2,084)	(2,629)	(24,161)
Less valuation allowance—total	(2,782)	(3,778)	(34,720)
Deferred tax assets—total	2,981	2,986	27,444
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(1,921)	(2,018)	(18,547)
Unrealized gain on property and equipment	(86)	(116)	(1,072)
Unrealized gain on available-for-sale securities	(661)	(402)	(3,696)
Advanced depreciation on fixed assets	(195)	(187)	(1,725)
Others	(123)	(55)	(510)
Deferred tax liabilities—total	(2,988)	(2,780)	(25,552)
Net deferred tax assets	¥ (7)	¥ 205	\$ 1,892

(Note)

1. The valuation allowance increased by ¥996 (US\$9,153 thousands) million compared to the previous fiscal year. The main reason is the valuation allowance on the tax loss carryforwards.

2. Tax loss carryforwards and the amount of deferred tax assets by carry forward

### March 31, 2019

	Millions of Yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	¥ —	¥ 0	¥ 1	¥ 18	¥ 135	¥ 980	¥ 1,137
Less valuation allowance	—	—	—	—	(55)	(641)	(697)
Deferred tax assets	—	0	1	18	80	338	439

### March 31, 2020

	Millions of Yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	¥ 17	¥ 102	¥ 118	¥ 155	¥ 171	¥ 1,017	¥ 1,582
Less valuation allowance	(17)	(102)	(111)	(75)	(131)	(710)	(1,149)
Deferred tax assets	—	—	6	80	39	307	433

Thousands of U.S. Dollars						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Tax loss carryforwards※	\$ 162	\$ 940	\$ 1,084	\$ 1,429	\$ 1,573	\$ 9,351
Less valuation allowance	(162)	(940)	(1,028)	(692)	(1,210)	(6,523)
Deferred tax assets	—	—	56	737	362	2,827
						3,982

※Tax loss carryforwards are multiplied by the effective statutory tax rate.

(2) A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2019 and 2020 is as follows:

	2019	2020
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.3	1.4
Tax benefits not recognized on operating losses of subsidiaries	(10.8)	0.1
Difference in tax rates of foreign subsidiaries	(5.7)	(9.1)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	2.5	2.5
Change in valuation allowance	4.5	4.8
	0.6	3.0
Impact of adoption of consolidated tax payment system	(6.9)	—
Others, net	0.5	(1.1)
Actual effective tax rate	16.6	32.2

### 13. SEGMENT INFORMATION

#### (1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group has four reporting segments that are made of different categories of products and services: electronic components, information equipment, software and other. The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The other segment includes the fix and support of electronic components, the manufacture and sale of amusement equipment, sales of sports goods and other activities.

#### (2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2., "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

(3) Information about sales, profit (loss), assets and other items is as follows:

Millions of Yen															
2019															
Reportable Segment							Recon- ciliations (Note 1)	Consoli- dated (Note 2)							
Electronic Components		Information Equipment		Soft- ware	Other	Total									
Sales:															
Sales to external customers		¥	22,598	¥	44,344	¥	2,876	¥	19,959	¥	292,779	¥	—	¥	292,779
Inter segment sales or transfers		2,855		1,004		697		4,450		9,007		(9,007)		—	
Total sales		¥	228,454	¥	45,349	¥	3,574	¥	24,409	¥	301,787	¥	(9,007)	¥	292,779
Segment profit (loss)		¥	4,761	¥	1,906	¥	247	¥	490	¥	7,406	¥	163	¥	7,570
Segment assets		197,476		14,951		1,859		11,482		225,769		(12,008)		213,761	
Others:															
Depreciation		1,182		58		69		103		1,413		(7)		1,406	
Increase in-property, plant and equipment and intangible assets		2,338		40		66		1,087		3,533		(84)		3,448	

Millions of Yen								
2020								
Reportable Segment						Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
Electronic Components	Information Equipment	Soft- ware	Other	Total				
Sales:								
Sales to external customers	¥ 377,587	¥ 43,466	¥ 2,778	¥ 19,781	¥ 443,615	¥ —	¥ 443,615	
Inter segment sales or transfers	2,337	1,745	765	3,514	8,362	(8,362)	—	
Total sales	¥ 379,925	¥ 45,211	¥ 3,544	¥ 23,295	¥ 451,977	¥ (8,362)	¥ 443,615	
Segment profit (loss)	¥ 7,503	¥ 1,707	¥ 236	¥ 452	¥ 9,900	¥ 114	¥ 10,014	
Segment assets	187,750	16,575	1,799	12,016	218,141	(10,503)	207,638	
Others:								
Depreciation	1,883	54	48	145	2,132	(6)	2,125	
Increase in-property, plant and equipment and intangible assets	2,774	144	21	813	3,754	(123)	3,631	

Thousands of U.S. Dollars								
2020								
Reportable Segment						Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
Electronic Components	Information Equipment	Soft- ware	Other	Total				
Sales:								
Sales to external customers	\$ 3,469,520	\$ 399,399	\$ 25,543	\$ 181,767	\$ 4,076,221	\$ —	\$ 4,076,221	
Inter segment sales or transfers	21,478	16,034	7,034	32,290	76,836	(76,836)	—	
Total sales	\$ 3,490,998	\$ 415,433	\$ 32,568	\$ 214,057	\$ 4,153,058	\$ (76,836)	\$ 4,076,221	
Segment profit (loss)	\$ 68,949	\$ 15,693	\$ 2,174	\$ 4,155	\$ 90,972	\$ 1,051	\$ 92,023	
Segment assets	1,725,170	152,306	16,532	110,418	2,004,428	(96,510)	1,907,917	
Others:								
Depreciation	17,305	504	447	1,337	19,595	(61)	19,533	
Increase in-property, plant and equipment and intangible assets	25,496	1,325	198	7,477	34,498	(1,132)	33,366	

Note: 1. The adjustment for segment operating income is as follows:

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Elimination of inter-segment trade	¥ 163	¥ 114	\$ 1,051
Amortization of goodwill	—	—	—
Total	¥ 163	¥ 114	\$ 1,051

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Elimination of inter-segment trade Reconciliations	¥ (14,111) 2,102	¥ (12,507) 2,004	\$ (114,929) 18,418
Total	<u>¥ (12,008)</u>	<u>¥ (10,503)</u>	<u>\$ (96,510)</u>

Note: Total corporate assets principally consist of surplus funds of the Companies under management (cash and securities).

(3) Depreciation and amortization

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Elimination of inter-segment trade	¥ (7)	¥ (6)	\$ (61)
Total	<u>¥ (7)</u>	<u>¥ (6)</u>	<u>\$ (61)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Elimination of inter-segment trade	¥ (84)	¥ (123)	\$ (1,132)
Total	<u>¥ (84)</u>	<u>¥ (123)</u>	<u>\$ (1,132)</u>

2. Segment income is adjusted for operating income in the consolidated statement of income and comprehensive income.

***Associated Information***

For the year ended March 31, 2019

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2019				
Japan	North America	Europe	Asia	Total
¥ 180,306	¥ 13,078	¥ 9,903	¥ 89,492	¥ 292,779

Note: Sales are classified in countries or regions based on the location of customers.



(b) Property, plant and equipment

Millions of Yen				
2019				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥10,318	¥ 519	¥ 227	¥ 3,946	¥ 15,011

- Notes: 1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
- (1) North America: the United States, the United Mexican States
  - (2) Europe: United Kingdom, Czech Republic and Russia
  - (3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia and Vietnam

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

For the year ended March 31, 2020

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2020				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥ 270,585	¥ 26,894	¥ 20,019	¥ 126,115	¥ 443,615

Thousands of U.S. Dollars				
2020				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 2,486,316	\$ 247,123	\$183,948	\$ 1,158,831	\$ 4,076,221

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2020				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥11,254	¥ 983	¥ 174	¥ 5,561	¥ 17,794

Thousands of U.S. Dollars				
2020				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 103,413	\$ 9,038	\$ 1,600	\$ 51,106	\$ 165,158

- Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: the United States, the United Mexican States
- (2) Europe: United Kingdom, Czech Republic and Russia
- (3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia and Vietnam

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

**Information of impairment loss on fixed assets of reportable segments**

For the year ended March 31, 2019

Millions of Yen					
2019					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	¥ 22	¥ —	¥ —	¥ 9	¥ 31

For the year ended March 31, 2020

Millions of Yen					
2020					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	¥ 245	¥ —	¥ —	¥ 135	¥ 380

Thousands of U.S. Dollars					
2020					
Reportable Segment					
	Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss	\$ 2,254	\$ —	\$ —	\$ 1,241	\$ 3,495

**Information of amortization of goodwill and balance of goodwill of reportable segments**

For the year ended March 31, 2019

Millions of Yen							
Reportable Segment						Recon-ciliations	Consoli-dated
	Electronic Components	Information Equipment	Soft-ware	Other	Total		
Amortization of goodwill for fiscal year	¥ 81	¥ —	¥ 3	¥ —	¥ 85	¥ —	¥ 85
Balance of goodwill at the end of fiscal year	258	—	1	—	259	—	259

For the year ended March 31, 2020

Millions of Yen							
Reportable Segment						Recon-ciliations	Consoli-dated
	Electronic Components	Information Equipment	Soft-Ware	Other	Total		
Amortization of goodwill for fiscal year	¥ 97	¥ —	¥ 1	¥ —	¥ 98	¥ —	¥ 98
Balance of goodwill at the end of fiscal year	322	—	—	—	322	—	322

Thousands of U.S. Dollars							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Amortization of goodwill for fiscal year	\$ 893	\$ —	\$ 15	\$ —	\$ 909	\$ —	\$ 909
Balance of goodwill at the end of fiscal year	2,965	—	—	—	2,965	—	2,965

**Information of gain on negative goodwill by reportable segments**

For the year ended March 31, 2019

In the Electric Components segment the Company recorded a ¥2,164 million gain on negative goodwill of a subsidiary, Fujitsu Electronics which shares were acquired on January 1, 2019.

For the year ended March 31, 2020

No significant items to be reported.

**14. RELATED PARTY TRANSACTIONS**

**(1) Principal transactions between the Company and its related party**

For the year ended March 31, 2019

Principal transactions between the Company and its related party for the year ended March 31, 2019 are summarized as follows:

(Amount unit: Millions of yen)										
Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2019
Major stock- holder	Sankyo Co., Ltd.	Shibuya -ku, Tokyo	¥14,840	Manufact- uring and sales of game machines	Owned directly 13.96%	Sales of finished products	Sales of finished products (Note)	¥6,230	Electronically recorded monetary claims	¥1,402
									Accounts receivable	¥821

Note:

Trade condition and policy

Sales contracts are entered into between Sankyo and the Company, and the sales price of products is determined based on the discussions between those two parties.

For the year ended March 31, 2020

Principal transactions between the Company and its related party for the year ended March 31, 2020 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)										
Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2020
Major stock- holder	Sankyo Co., Ltd.	Shibuya -ku, Tokyo	¥14,840 (\$136,359)	Manufact- uring and sales of game machines	Owned directly 13.95%	Sales of finished products	Sales of finished products (Note)	¥6,344 (\$58,294)	Electronically recorded monetary claims	¥1,311 (\$12,055)
									Accounts receivable	¥2,026 (\$18,621)

Note:

Trade condition and policy

Sales contracts are entered into between Sankyo Co., Ltd. and the Company, and the sales price of products is determined based on the discussions between those two parties.

(2) Principal transactions between the Company's director and its related party

For the year ended March 31, 2019

Principal transactions between the Company's director and its related party for the year ended March 31, 2019 are summarized as follows:

(Amount unit: Millions of yen)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2019
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥74	Management of restaurant and convenience store	—	Interlocking directorate	Management of in-house store (Note2)	¥12	—	—

Notes: The Company concluded the contract transaction at a price equivalent to market price.

For the year ended March 31, 2020

Principal transactions between the Company's director and its related party for the year ended March 31, 2020 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2020
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥74 (\$684)	Management of restaurant and convenience store	—	Interlocking directorate	Management of in-house store (Note2)	¥13 (\$121)	—	—

Notes: The Company concluded the contract transaction at a price equivalent to market price.

## 15. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2019	2020	2020
Net assets per share	¥ 2,790.97	¥ 2,850.99	\$ 26.20
Net income per share	292.07	213.21	1.96

Notes 1. Diluted net income per share has not been disclosed because there were no potentially dilutive Shares.

2. The basis for computation of net income per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Net income per share			
Profit attributable to owners of the parent	¥ 8,014	¥ 5,852	\$ 53,776
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	8,014	5,852	53,776
Average number of common stock outstanding during the fiscal year (Share)	27,439,524	27,449,833	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	—	—	

3. The basis for computation of net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Net assets per share			
Total net assets	¥ 84,259	¥ 86,250	\$ 792,520
Amount deducted from total net assets (Non-controlling interests)	7,654 (7,654)	7,965 (7,965)	73,188 (73,188)
Net assets corresponding to common stock at the end of the fiscal year	76,604	78,284	719,332
Number of common stock shares used for the calculation of net assets per share (Share)	27,447,194	27,458,839	

## 16. SIGNIFICANT SUBSEQUENT EVENTS

(Share transfer agreement with CITY INDEX ELEVENTH CO., Ltd. for acquisition of shares in EXCEL CO., LTD.)

At the board of directors' meeting held on December 9, 2019, the Company resolved to conclude a share transfer agreement with CITY INDEX ELEVENTH CO., Ltd ("CI11") with respect to the outstanding shares issued by EXCEL CO., LTD. ("EXCEL"), and concluded the agreement on the same date. The acquisition of EXCEL shares under the agreement ("the Share Acquisition") was executed on April 1, 2020, upon which EXCEL became the Company's wholly-owned subsidiary.

Pursuant to the integrated contract entered into between the Company, EXCEL, Office Support K.K., the parent company of CI11, and CI11 on December 9, 2019, the Share Acquisition executed upon (1) CI11 making EXCEL a wholly-owned subsidiary through share exchange for cash consideration, and subsequently (2) payment of dividend in kind being made to CI11 using a portion of assets owned by EXCEL as dividend property.

## 1. Reasons for the management integration and acquisition of the shares

Since its foundation, the Company has been expanding its business domain by responding to the various needs of customers in accordance with its philosophy of “everything we do is for our customers”. As an independent general trading company that specializes in electronics, the Company is engaged in a wide variety of business activities and offers a variety of services to customers both in Japan and abroad, ranging from distribution of Electronic Parts and Semiconductors that leverages its expertise in the segment, the EMS business where it has a competitive advantage in high-mix low-volume production, to support for customers in planning, development and design of their products, creation of software/video images, and provision of network solutions and other system support services.

Meanwhile, changes are taking place with increasing speed in the business environment surrounding the electronics trading industry, where there still are many players competing with each other. We have seen reorganization and consolidation of semiconductor/device manufacturers, our suppliers, which have led to review of their policies on distribution agents, moves by end-products manufacturers, our customers, to relocate their production facilities to overseas sites for assembly of finished products, changes in demand and supply and price fluctuations in both domestic and overseas markets reflecting US-China tariff policies and uncertainty in the future of the global economy. There has also been shortening of product life cycles as a result of ongoing technological innovations. Against this backdrop, we believe that the competition for survival among electronic trading companies will become more and more intense in the coming years. Under these circumstances, the Company has formulated the three-year “Medium Term Management Plan 2021” that runs from the fiscal year ending March 31, 2020 to March 31, 2022 (announced on November 6, 2018, “the Medium Term Plan”), in line with which it is working on enhancement of revenue base, stabilization of management base and creation of new businesses, being guided by its medium to long-term vision of becoming “Japan’s No. 1 corporate group in the industry” by establishing “profit-focused management” and putting it firmly in place, with the aim of developing into a competitive “world-class company”. In January last year, Fujitsu Electronics Inc., a core trading company of the Fujitsu Group, was converted to a subsidiary of the Group, to achieve expansion the Group’s trading company business. In October, the Company acquired from Pioneer Corporation shares of Towada Pioneer Corporation (currently Kaga EMS Towada Co., Ltd.), a manufacturing subsidiary of Pioneer, to strengthen manufacturing capabilities. The decision to make EXCEL a subsidiary based on the share transfer agreement concluded with CII1 also forms a part of the Company’s efforts to achieve its growth strategy. In the course of the decision, the Company recognized that EXCEL’s strengths in its key domestic and overseas products in the area of liquid crystal devices as well as its customer base in China were particularly attractive for the Company as it seeks to achieve its growth strategy.

EXCEL operates a business focusing on electronic devices led by liquid crystal, semiconductors and integrated circuits, and its integration into the Group is expected to generate the following synergies.

### (1) Market share expansion for the Electronic Parts and Semiconductor business

The Company seeks to strengthen ability to respond to customer needs and expand share in the electronic parts and semiconductor markets by complementing the respective companies’ offerings and sales channels. In particular, realization of synergies can be expected with EXCEL’s strengths in its key domestic and overseas products in the LCD domain to expand sales to the Company’s customers, as well as EXCEL’s customer base in China to strengthen distribution of the Company’s products.

### (2) Expansion in the scale of the EMS business

The Company strives to further strengthen the profitability of the Company’s EMS business by sharing the Company’s global network of EMS manufacturing bases with EXCEL, and reaching out to the EXCEL customer base with the Company’s EMS business.

### (3) Acquisition of new businesses

The Company brings in EXCEL’s promising new businesses such as EV-related business and mobilize the collective strength of the Group to achieve early commercialization.

### (4) Further improvement in management efficiency through business collaboration between the two companies

The Company seeks to improve the profitability of both the Company and EXCEL by optimizing and sharing to the greatest extent possible the two firms’ sales related organizations and other functions.

Through the Share Acquisition, the Company seeks to solidify our footing as “Japan’s No. 1 corporate group in the industry” as set out in the Medium Term Plan, and continues efforts to expand and improve the scale and the quality of Group management, with the aim of achieving sustainable growth as a competitive “world-class company” which can stand up to overseas competition with their sales crossing the trillion yen mark.

2. Name, business details, and size of company whose shares are to be acquired

- (1) Name EXCEL CO., LTD.  
 (2) Business Sale, import and export of LCD devices, integrated circuits, semiconductor devices and other electronic components and equipment  
 (3) Size of company (consolidated figures for the fiscal year ended March 2019)
- |  |  |
|--|--|
| Consolidated net assets                          | ¥24,611 million (US\$ 226,148 thousands) |
| Consolidated total assets                        | ¥43,739 million (US\$ 401,907 thousands) |
| Consolidated net sales                           | ¥67,499 million (US\$ 620,225 thousands) |
| Consolidated operating income                    | ¥369 million (US\$ 3,398 thousands)      |
| Consolidated ordinary income                     | ¥252 million (US\$ 2,320 thousands)      |
| Ordinary income attributable to owners of parent | ¥569 million (US\$ 5,233 thousands)      |

3. Name of the selling shareholder

CITY INDEX ELEVENTH CO., Ltd

4. Date of share acquisition

April 1, 2020

5. Number of shares to be acquired, acquisition price, and ownership ratio following acquisition

- (1) Shares to be acquired 8,665,854 shares  
 (2) Acquisition price
- |   |                                     |
|---|-------------------------------------|
| Shares of common stock in EXCEL CO., LTD. | ¥389 million (US\$ 3,576 thousands) |
| Advisory and other fees                   | ¥176 million (US\$ 1,623 thousands) |
| Total                                     | ¥565 million (US\$ 5,200 thousands) |
- (3) Ownership ratio following acquisition 100.0%

Notes 1: It is anticipated that the Company would recognize approximately ¥8.2 billion (US\$ 75,346 thousands) of gain on bargain purchase from the Share Acquisition.

- 2: In addition to payment of the acquisition price, the Company had planned to provide about ¥8 billion to EXCEL CO., LTD. as working capital on the execution date of the share acquisition, but the Company instead guaranteed the bank transactions for EXCEL and its subsidiary.

(Dissolution of a specific subsidiary)

The Board of Directors of the Company resolved at its meeting on July 22, 2020 to dissolve and liquidate the Company's specified subsidiaries as follows

- (1) Reasons for Dissolution and Liquidation  
 To improve business efficiency

(2) Summary of Subsidiaries to be Dissolved and Liquidated

Name	Advanced Display Solutions (Hong Kong) Limited.
Address	Hong Kong, China
Name of representative	Yasuhiro Ohashi, Chairman of the Board
Amount of capital	US\$23,000 thousand
Description of Business	Sales of electronic components
Investment Ratio	100% (100% of which is indirectly owned)

(3) Dismissal and Settlement Schedule

The liquidation is expected to be completed as soon as the necessary procedures are completed in accordance with the local laws.

(4) The effect of the dissolution and liquidation on profit and loss

The dissolution and liquidation of this specific subsidiary is not expected to have a material impact on the consolidated financial results.

## 17. CONSOLIDATED SUPPLEMENTARY SCHEDULE

### (1) Schedule of bonds

Not applicable.

### (2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars	Interest rate (%)	Maturity
	2019	2020	2020		
Short-term loans payable	¥ 29,376	¥ 5,260	\$ 48,336	1.84%	—
Current portion of long-term loans payable	1,280	1,279	11,758	0.77%	—
Current portion of lease obligations	116	418	3,843	2.12%	—
Long-term loans payable (excluding current portion)	1,882	20,833	191,431	0.51%	2021 to 2025
Lease obligations (excluding current portion)	196	944	8,678	2.25%	2021 to 2025
Other interest-bearing debt	—	—	—	—	—
Total	¥ 32,851	¥ 28,736	\$ 264,047		

Notes:

- Interest rates are stated at weighted average interest rates based on the average balance of borrowings for the year.
- The repayment schedule of long-term loans payable and lease obligations (excluding current portion) per year for 5 years subsequent to March 31, 2020 is summarized as follows:

Category	Millions of Yen			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	¥ 668	¥ 5,032	¥ 5,032	¥ 5,100
Lease obligations	219	90	114	76
Total	¥ 887	¥ 5,122	¥ 5,146	¥ 5,176

Category	Thousands of U.S. Dollars			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	\$ 6,139	\$ 46,243	\$ 46,243	\$ 46,862
Lease obligations	2,018	829	1,050	701
Total	\$ 8,157	\$ 47,072	\$ 47,293	\$ 47,563

### (3) Schedule of asset retirement obligations

According to the Article 92-2 of the “Regulations for Consolidated Financial Statements,” schedule of asset retirement obligations is abbreviated, as the amount of asset retirement obligations is less than 1 percent of the total amount of liabilities and net assets.