

CONSOLIDATED FINANCIAL STATEMENTS

TAMURA CORPORATION

AS OF MARCH 31, 2020

Independent Auditor's Report

The Board of Directors
TAMURA CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of TAMURA CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and 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.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors 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. 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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 in accordance with accounting principles generally accepted in Japan.
- 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 Corporate Auditor and the Board of Corporate Auditors 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 Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, 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.

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.

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(a) to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 30, 2020
Takaki Hirota
Designated Engagement Partner
Certified Public Accountant

Yohei Ikeda
Designated Engagement Partner
Certified Public Accountant

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2020	2019	2020
ASSETS			
Current Assets:			
Cash on hand and in banks (Notes 5 and 6)	¥ 16,669	¥ 15,990	\$ 152,927
Trade notes and accounts receivable (Note 6)	20,853	22,100	191,312
Inventories (Note 8)	13,197	13,424	121,073
Other current assets	2,476	2,853	22,716
Allowance for doubtful accounts	(81)	(58)	(743)
Total current assets	<u>53,114</u>	<u>54,309</u>	<u>487,285</u>
Property, Plant and Equipment: (Note 16)			
Buildings and structures	20,239	21,007	185,679
Machinery and equipment	26,668	26,098	244,661
Lease assets	4,233	891	38,835
	<u>51,140</u>	<u>47,996</u>	<u>469,175</u>
Accumulated depreciation	(31,493)	(32,175)	(288,927)
	<u>19,647</u>	<u>15,821</u>	<u>180,248</u>
Land	5,136	5,159	47,119
Construction in progress	1,899	1,515	17,422
Property, plant and equipment, net	<u>26,682</u>	<u>22,495</u>	<u>244,789</u>
Investments and Other Assets:			
Investment securities in other than non-consolidated subsidiaries and affiliates (Notes 6 and 7)	1,329	1,719	12,193
Investment securities in non-consolidated subsidiaries and affiliates	2,461	2,256	22,578
Net defined benefit asset (Note 10)	2,346	1,994	21,523
Deferred tax assets (Note 15)	628	1,189	5,761
Intangible assets	1,490	1,581	13,670
Other assets	611	593	5,605
Allowance for doubtful accounts	(68)	(63)	(624)
Total investments and other assets	<u>8,797</u>	<u>9,269</u>	<u>80,706</u>
Total assets	<u>¥ 88,593</u>	<u>¥ 86,073</u>	<u>\$ 812,780</u>

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2020	2019	2020
LIABILITIES AND NET ASSET			
Current Liabilities:			
Trade notes and accounts payable (Note 6)	¥ 11,943	¥ 12,095	\$ 109,569
Short-term loans (Notes 6 and 9)	4,924	7,591	45,174
Current portion of long-term debt (Notes 6 and 9)	309	282	2,835
Lease obligations (Notes 6 and 9)	973	195	8,927
Income taxes payable (Note 6)	394	824	3,615
Accrued bonuses	923	1,055	8,468
Accrued bonuses for directors	46	75	422
Other current liabilities	2,858	3,294	26,220
Total current liabilities	22,370	25,411	205,230
Long-term Liabilities:			
Long-term debt (Notes 6 and 9)	13,586	9,279	124,642
Lease obligations (Notes 6 and 9)	2,506	531	22,991
Deferred tax liabilities (Note 15)	92	94	844
Net defined benefit liability (Note 10)	2,920	3,136	26,789
Other long-term liabilities	455	467	4,174
Total long-term liabilities	19,559	13,507	179,440
Net Assets			
Shareholders' Equity:			
Common stock:	11,829	11,829	108,523
Authorized - 252,000,000 shares			
Issued and outstanding - 82,771,473 shares			
Additional paid-in capital	17,019	17,038	156,138
Retained earnings	19,121	18,924	175,422
Treasury stock (Note 12)	(256)	(274)	(2,349)
Total shareholders' equity	47,713	47,517	437,734
Accumulated Other Comprehensive Income:			
Unrealized holding gain (loss) on securities	(268)	78	(2,459)
Deferred gain (loss) from hedging instruments (Notes 6 and 17)	0	—	0
Translation adjustments	(402)	(37)	(3,688)
Retirement benefits liability adjustments (Note 10)	(633)	(793)	(5,807)
Total accumulated other comprehensive income	(1,303)	(752)	(11,954)
Share subscription rights	161	153	1,477
Non-controlling interests	93	237	853
Total net assets	46,664	47,155	428,110
Total liabilities and net assets	¥ 88,593	¥ 86,073	\$ 812,780

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONSOLIDATED STATEMENT OF INCOME)

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	Year ended March 31,		Year ended March 31,
	2020	2019	2020
Net Sales	¥ 79,655	¥ 87,008	\$ 730,780
Cost of Sales (Note 14)	57,185	61,448	524,633
Gross profit	22,470	25,560	206,147
Selling, general and administrative expenses (Notes 13, 14 and 21)	20,181	20,960	185,147
Operating income	2,289	4,600	21,000
Other Income (Expenses):			
Interest and dividend income	157	146	1,440
Equity in earnings of affiliates	161	186	1,477
Interest expense	(321)	(235)	(2,945)
Foreign exchange gain (loss)	61	(70)	560
Unrealized loss on derivative financial instruments	(101)	(32)	(927)
Other income	501	2,725	4,596
Other expenses	(277)	(204)	(2,541)
	181	2,516	1,660
Profit before income taxes	2,470	7,116	22,660
Income Taxes (Note 15)			
Current	862	1,363	7,908
Deferred	585	(652)	5,367
	1,447	711	13,275
Profit	1,023	6,405	9,385
Profit attributable to:			
Non-controlling interests	(1)	8	(9)
Owners of parent	¥ 1,024	¥ 6,397	\$ 9,394
		Yen	U.S. dollars
Per Share:			
Basic profit attributable to owners of parent	¥ 12.48	¥ 78.00	\$ 0.11
Diluted profit attributable to owners of parent	12.40	77.51	0.11
Cash dividends per share	10.00	10.00	0.09

The accompanying notes are an integral part of these statements.

(CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME)

	Millions of yen		Thousands of
	Year ended March 31,		U.S. dollars
	2020	2019	(Note 1(a))
			Year ended
			March 31,
			2020
Profit	¥ 1,023	¥ 6,405	\$ 9,385
Other Comprehensive Income (Note 11):			
Unrealized holding gain (loss) on securities	(347)	(394)	(3,183)
Deferred gain (loss) from hedging instruments	0	—	0
Translation adjustments	(311)	(1,348)	(2,853)
Retirement benefits liability adjustments	159	422	1,459
Share of other comprehensive income of affiliates accounted for by the equity method	(56)	(124)	(514)
Total other comprehensive income	(555)	(1,444)	(5,091)
Comprehensive income	¥ 468	¥ 4,961	\$ 4,294
Total comprehensive income attributable to:			
Owners of parent	¥ 461	¥ 4,960	\$ 4,229
Non-controlling interests	7	1	65

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2020

	Millions of yen					
	Number of shares issued	Shareholders' equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 12)	Total shareholders' equity
Balance at April 1, 2019	82,771,473	¥ 11,829	¥ 17,038	¥ 18,924	¥ (274)	¥ 47,517
Changes during the year						
Cash dividends paid				(821)		(821)
Profit attributable to owners of parent for the period				1,024		1,024
Purchases of treasury stock					(0)	(0)
Disposal of treasury stock			(1)	(6)	18	11
Changes in the Company's equity due to transactions with noncontrolling interests			(18)			(18)
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	(19)	197	18	196
Balance as of March 31, 2020	<u>82,771,473</u>	<u>¥ 11,829</u>	<u>¥ 17,019</u>	<u>¥ 19,121</u>	<u>¥ (256)</u>	<u>¥ 47,713</u>

	Millions of yen							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities	Deferred gain(loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 10)	Total accumulated other comprehensive income	Share subscription rights	Non- controlling interests	Total net assets
Balance at April 1, 2019	¥ 78	¥ —	¥ (37)	¥ (793)	¥ (752)	¥ 153	¥ 237	¥ 47,155
Changes during the year								
Cash dividends paid								(821)
Profit attributable to owners of parent for the period								1,024
Purchases of treasury stock								(0)
Disposal of treasury stock								11
Changes in the Company's equity due to transactions with noncontrolling interests								(18)
Net changes in items other than those in shareholders' equity	(346)	0	(365)	160	(551)	8	(144)	(687)
Total changes during the year	(346)	0	(365)	160	(551)	8	(144)	(491)
Balance as of March 31, 2020	<u>¥ (268)</u>	<u>¥ 0</u>	<u>¥ (402)</u>	<u>¥ (633)</u>	<u>¥ (1,303)</u>	<u>¥ 161</u>	<u>¥ 93</u>	<u>¥ 46,664</u>

For the year ended March 31, 2019

	Millions of yen					
	Number of shares issued	Shareholders' equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 12)	Total shareholders' equity
Balance at April 1, 2018	82,771,473	¥ 11,829	¥ 17,037	¥ 13,346	¥ (288)	¥ 41,924
Changes during the year						
Cash dividends paid				(819)		(819)
Profit attributable to owners of parent for the period				6,397		6,397
Purchases of treasury stock					(0)	(0)
Disposal of treasury stock			1	(0)	14	15
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	1	5,578	14	5,593
Balance as of March 31, 2019	82,771,473	¥ 11,829	¥ 17,038	¥ 18,924	¥ (274)	¥ 47,517

	Millions of yen						
	Accumulated other comprehensive income						
	Unrealized holding gain (loss) on securities	Translation adjustments	Retirement benefits liability adjustments (Note 10)	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥ 472	¥ 1,428	¥ (1,215)	¥ 685	¥ 143	¥ 244	¥ 42,996
Changes during the year							
Cash dividends paid							(819)
Profit attributable to owners of parent for the period							6,397
Purchases of treasury stock							(0)
Disposal of treasury stock							15
Net changes in items other than those in shareholders' equity	(394)	(1,465)	422	(1,437)	10	(7)	(1,434)
Total changes during the year	(394)	(1,465)	422	(1,437)	10	(7)	4,159
Balance as of March 31, 2019	¥ 78	¥ (37)	¥ (793)	¥ (752)	¥ 153	¥ 237	¥ 47,155

For the year ended March 31, 2020

	Thousands of U.S. dollars (Note 1(a))					
	Shareholders' equity					Total shareholders' equity
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (Note 12)	
Balance at April 1, 2019	82,771,473	\$ 108,523	\$ 156,312	\$ 173,615	\$ (2,514)	\$ 435,936
Changes during the year						
Cash dividends paid				(7,532)		(7,532)
Profit attributable to owners of parent for the period				9,394		9,394
Purchases of treasury stock					(0)	(0)
Disposal of treasury stock			(9)	(55)	165	101
Changes in the Company's equity due to transactions with noncontrolling interests			(165)			(165)
Net changes in items other than those in shareholders' equity						
Total changes during the year		—	(174)	1,807	165	1,798
Balance as of March 31, 2020	<u>82,771,473</u>	<u>\$ 108,523</u>	<u>\$ 156,138</u>	<u>\$ 175,422</u>	<u>\$ (2,349)</u>	<u>\$ 437,734</u>

	Thousands of U.S. dollars (Note 1(a))							
	Accumulated other comprehensive income							
	Unrealized holding gain (loss) on securities	Deferred gain(loss) from hedging instruments	Translation adjustments	Retirement benefits liability adjustments (Note 10)	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$ 715	\$ —	\$ (339)	\$ (7,275)	\$ (6,899)	\$ 1,404	\$ 2,174	\$ 432,615
Changes during the year								
Cash dividends paid								(7,532)
Profit attributable to owners of parent for the period								9,394
Purchases of treasury stock								(0)
Disposal of treasury stock								101
Changes in the Company's equity due to transactions with noncontrolling interests								(165)
Net changes in items other than those in shareholders' equity	(3,174)	0	(3,349)	1,468	(5,055)	73	(1,321)	(6,303)
Total changes during the year	<u>(3,174)</u>	<u>0</u>	<u>(3,349)</u>	<u>1,468</u>	<u>(5,055)</u>	<u>73</u>	<u>(1,321)</u>	<u>(4,505)</u>
Balance as of March 31, 2020	<u>\$ (2,459)</u>	<u>\$ 0</u>	<u>\$ (3,688)</u>	<u>\$ (5,807)</u>	<u>\$ (11,954)</u>	<u>\$ 1,477</u>	<u>\$ 853</u>	<u>\$ 428,110</u>

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	Year ended March 31,		Year ended March 31,
	2020	2019	2020
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 2,470	¥ 7,116	\$ 22,660
Depreciation	3,266	2,219	29,963
Changes in accrued bonuses	(132)	(87)	(1,211)
Changes in accrued bonuses for directors	(29)	10	(266)
Changes in allowance for doubtful accounts	29	(44)	266
Changes in net defined benefit liability	(372)	(49)	(3,413)
Interest and dividend income	(157)	(146)	(1,440)
Interest expense	321	235	2,945
Foreign exchange loss	51	7	468
Equity in earnings of affiliates	(161)	(186)	(1,477)
Loss (gain) on sales of investment securities	0	(164)	0
Changes in trade receivable	1,067	(75)	9,789
Changes in inventories	44	(1,434)	404
Changes in trade payable	(45)	(83)	(413)
Other	545	(741)	5,000
Subtotal	6,897	6,578	63,275
Interest and dividends received	266	261	2,441
Interest paid	(320)	(249)	(2,936)
Income taxes paid	(1,387)	(1,921)	(12,725)
Net cash provided by operating activities	5,456	4,669	50,055
Cash Flows from Investing Activities:			
Transfers to time deposits	(399)	—	(3,661)
Purchase of tangible fixed assets	(4,438)	(6,302)	(40,716)
Proceeds from sale of tangible fixed assets	248	1,544	2,275
Purchase of investment securities	(297)	(43)	(2,725)
Proceeds from sale of investment securities	0	329	0
Proceeds from sale of affiliated companies	39	15	358
Other	(126)	359	(1,155)
Net cash used in investing activities	(4,973)	(4,098)	(45,624)
Cash Flows from Financing Activities:			
Changes in short-term loans	(2,555)	3,321	(23,440)
Increase in long-term debt	4,557	4,831	41,807
Repayment of long-term debt	(284)	(5,992)	(2,606)
Repayment of lease obligations	(873)	(236)	(8,009)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Cash dividends paid	(817)	(816)	(7,495)
Cash dividends paid to non-controlling shareholders	(7)	(12)	(64)
Additional investments in consolidated subsidiaries	(162)	—	(1,486)
Net cash provided by (used in) financing activities	(141)	1,096	(1,293)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(66)	(427)	(606)
Net Increase (Decrease) in Cash and Cash Equivalents	276	1,240	2,532
Cash and Cash Equivalents at the Beginning of the Year	15,841	14,601	145,330
Cash and Cash Equivalents at the End of the Year (Note 5)	¥ 16,117	¥ 15,841	\$ 147,862

The accompanying notes are an integral part of these statements.

TAMURA CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Basis of presentation of the consolidated financial statements

The accompanying consolidated financial statements of TAMURA CORPORATION (the “Company”) and its consolidated subsidiaries (collectively, the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Local Finance Bureau in Japan as required by the Financial Instruments and Exchange Law of Japan have been reclassified for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥109=U.S. \$1, the approximate rate of exchange on March 31, 2020 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the above rate or any other rate.

(b) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and, with the exception of entities which are not material, those of its 34 majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated on consolidation.

Effective from the year ended March 31, 2020, TAMURA AUTOMOTIVE-ELECTRONICS (FOSHAN) LTD. and TAMURA ELECTRONICS (SUZHOU) CO., LTD. were added as consolidated subsidiaries because they were newly established by the Company.

Investments in non-consolidated subsidiaries and affiliates are carried at cost since their total assets, net sales and the Company’s interests in their net income (loss), or retained earnings, in aggregate, do not have a material effect on the consolidated financial statements.

The fiscal year end of the foreign consolidated subsidiaries is December 31. The necessary adjustments for significant transactions between the fiscal year end of the Company and the fiscal year end of the foreign consolidated subsidiaries, if any, are made in the preparation of the consolidated financial statements.

(c) Financial instruments

(1) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives designated as “hedging instruments” (see Note 1(c)(3) Hedge accounting below).

(2) Securities

Securities held by the Companies are classified as follows:

Available-for-sale securities with market values are stated at fair value. Net unrealized gains and losses on these securities are reported as a separate component of shareholders' equity at a net-of-tax amount.

Available-for-sale securities without market values are stated at cost determined by the moving average method, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by non-consolidated subsidiaries and affiliates, or available-for-sale securities, has declined significantly and such impairment of the value is not deemed temporary, these securities are written down to their fair value and the resulting losses are included in net profit or loss for the period.

(3) Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred as a component of net assets.

The derivatives designated as hedging instruments by the Companies are principally forward exchange contracts and interest rate swaps. The underlying hedged items are trade accounts receivable and trade accounts payable denominated in foreign currencies, forecast transactions denominated in foreign currencies and interest on long-term bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of exchange rate and interest rate fluctuations. Thus, the Companies' purchases of the hedging instruments are limited to, at maximum, the amount of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the underlying hedged items from the commencement of the hedges.

(d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of collectability of receivables from companies in financial difficulty.

(e) Inventories

Inventories are principally stated at cost determined by the following methods:

- Finished goods and work-in-process:
 - Electronic Components business, Electronic Chemicals business and Information Equipment business: Mainly periodic average method (Inventories with lower profitability are written down)
 - FA Systems business: Specific identification method (Inventories with lower profitability are written down)

- Merchandise and raw materials: Mainly periodic average method (Inventories with lower profitability are written down)
- Supplies: Mainly last purchase price method (Inventories with lower profitability are written down)

(f) Property, plant and equipment, and depreciation (excluding lease assets)

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost and are principally depreciated using the declining-balance method at rates based on the estimated useful lives of the assets. Repairs and maintenance expenses are charged to income as incurred. Intangible assets are amortized by the straight-line method over their respective estimated useful lives.

(g) Accrued bonuses

The Company and its domestic consolidated subsidiaries have provided the estimated amounts of bonus to employees.

(h) Reserve for directors' bonus

The Company and its domestic consolidated subsidiaries have provided the estimated amounts of directors' bonus as a reserve for directors' bonus.

(i) Reserve for retirement benefits

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets.

The unrecognized prior service costs are amortized on a straight-line basis over a period of 12 years from the year in which they arise. The unrecognized actuarial differences are amortized on a straight-line basis over a period of 5 to 12 years from the year following the year in which they arise.

(j) Reserve for loss of transfer

Reserve for loss on office transfer, etc. for consolidated subsidiaries is provided at the estimated amount of future loss related to non-cancelable periods of real estate leasing contracts.

(k) Amortization of goodwill

Goodwill is amortized on a straight-line basis over 10 years.

(l) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Deferred income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with deduction of a valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(m) Foreign currency translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheets dates. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts. Revenue and expenses are translated using the average exchange rates for the respective periods.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date. Revenue accounts and expense accounts of the foreign consolidated subsidiaries are translated into yen at the average exchange rate for the year. Differences arising from the translation are presented as translation adjustments and minority interests in the consolidated financial statements.

(n) Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(o) Profit per share

Basic profit per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years, and diluted profit per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options. Cash dividends per share represent the dividends declared as applicable to the respective period.

The basis of the calculation of basic profit per share and diluted profit per share for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Basic profit per share			
Profit attributable to owners of parent for the period	¥ 1,024	¥ 6,397	\$ 9,394
Amount not attributable to common stock	¥ —	¥ —	\$ —
Total profit attributable to common stock	¥ 1,024	¥ 6,397	\$ 9,394
Average number of shares outstanding during the year [thousands of shares]	82,066	82,019	82,066
Diluted profit per share			
Increase in common stock:			
Subscription rights to shares [thousands of shares]	514	524	514

2. Unapplied Accounting Standards, etc.

Accounting Standard for Revenue Recognition and Related Implementation Guidance Guidance on Disclosures about Fair Value of Financial Instruments

On March 31, 2020, the Accounting Standards Board of Japan (ASBJ) issued the revised “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30).

On March 31, 2020, The ASBJ issued “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19)

(a) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and issued “Revenue from Contracts with Customers” in May 2014 (IFRS 15 by the IASB, ASC 606 by the FASB). Considering that IFRS 15 is applied from fiscal years beginning January 1, 2018 and ASC 606 from fiscal years beginning after December 15, 2017, the ASBJ developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance. The fundamental policy for developing the accounting standard for revenue recognition by the ASBJ was that the accounting standard would incorporate the fundamental principles of IFRS 15 as the starting point from the perspective of comparability of financial statements, which is the one of the benefits of achieving consistency with IFRS 15. For matters to be taken into consideration in Japan with regard to accounting practices, etc., alternative treatments are provided within a range that would not impair financial statement comparability.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of adoption of revised accounting standard and related implementation guidance

The Company is currently evaluating the effects of adopting Accounting Standard for Revenue Recognition, etc. on its consolidated financial statements.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

On March 31, 2020, the ASBJ issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24).

(a) Overview

This accounting standard has been released to provide an outline of the applicable accounting principles and procedures in cases where directly relevant accounting standards are not available.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

Accounting Standard for Disclosure of Accounting Estimates

On March 31, 2020, the ASBJ issued the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31)

(a) Overview

This accounting standard has been released to provide guidance on disclosure of information that deepens the understanding of users of the financial statements about estimates that embody a risk of a significant impact on the financial statements of the following accounting period.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

3. Accounting Changes

From the beginning of the fiscal year ended March 31, 2020, consolidated subsidiaries outside Japan adopting IFRS have applied IFRS 16 (“Leases”). Accordingly, an approach was adopted as a transitional measure in which any cumulative impact of the application of this standard is recognized on the initial date of application. As a result, in the consolidated balance sheet as of March 31, 2020, the end of the fiscal year, “leased assets” in property, plant and equipment increased by ¥2,579 million (\$23,661 thousand), “lease obligations” in current liabilities increased by ¥732 million (\$6,716 thousand) and “lease obligations” in long-term liabilities increased ¥1,901 million (\$17,440 thousand). The impact on the consolidated statement of income for the fiscal year was immaterial.

4. Additional information

Impact of COVID-19 on accounting estimates

Accounting estimates are based on the assumption that the impact of COVID-19 will largely subside by the end of June, and in the latter half of FY2021 sales will recover to the level prior to the spread of the COVID-19 pandemic.

The Company assumed the time period mentioned above judging from the situation that restrictions on economic activity were implemented until the end of February in China, and that affiliated companies restarted almost normal operations from March. Under this assumption, accounting estimates such as the collectability of deferred tax assets were made, but the assumption for the estimates may change significantly depending on the spread of COVID-19 and requests from national or local governments.

5. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits with a maturity of 3 months or less and which represent a minor risk of fluctuation in value.

As of March 31, 2020, and 2019, cash and cash equivalents consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash on hand and in banks	¥ 16,669	¥ 15,990	\$ 152,927
Time deposits with maturities of over 3 months	(552)	(149)	(5,065)
Cash and cash equivalents	¥ 16,117	¥ 15,841	\$ 147,862

6. Financial Instruments

Overview

(a) Policy for financial instruments

The Companies obtain necessary funding in accordance with their capital expenditure planning. The Companies obtain medium and long-term operating funds and funds for the purchase of equipment from banks and utilize highly liquid financial instruments for fund management purposes.

The Companies also utilize derivative financial instruments to hedge various risks as described in detail below and do not enter into derivatives for trading or speculative purposes.

(b) Types of financial instruments and related risk

Operating receivables, such as notes and accounts receivable-trade, are exposed to credit risk of customers. Operating receivables in foreign currencies are exposed to foreign currency exchange risk. Forward foreign exchange contracts are principally used to hedge this risk.

Investment securities, the issuers of which have business relationships with the Companies, are exposed to stock market fluctuation risk.

Maturities of operating debts, such as notes and accounts payable-trade, are mostly within six months. Though operating debts in foreign currencies are exposed to foreign currency exchange risk, they are limited to the balances of operating receivables in the same foreign currency on an ongoing basis.

Loans and lease obligations related to finance leases are used mainly for operating funds and for equipment purposes, respectively. Some consolidated subsidiaries outside Japan provided lease obligations based on IFRS 16 (“Leases”). Maturities of loans and lease obligations recorded as of the closing date of the fiscal year are within 10 years. Almost all long-term loans are variable interest rate loans, and are exposed to interest rate risk. Interest rate swaps are used for certain loans in order to hedge this risk.

In order to hedge foreign currency exchange risk associated with operating debts and receivables in foreign currencies and interest rate risk associated with interest expense, derivative transactions such as forward foreign exchange contracts, currency swap transactions and interest rate swap transactions are used.

Hedging instruments, hedged items, hedging policy and effectiveness of hedge transactions are described in “Note 1. Significant Accounting Policies, (c) Financial instruments, (3) Hedge accounting.”

(c) Risk management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)

To screen and reduce unrecoverable risk of operating receivables, the Company regularly monitors major customers' credit status and manages the due dates and balances for each customer in accordance with customer credit management rules at the sales section in each operating division. Consolidated subsidiaries also act based on the Company's customer credit management rules.

The Companies do not anticipate losses resulting from default of counterparties to derivative transactions as these are limited to major financial institutions with sound credit ratings.

(2) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company and certain consolidated subsidiaries principally use forward foreign exchange contracts to hedge the foreign currency exchange risk of operating debts and receivables in foreign currencies, which are evaluated monthly for each currency. The Company uses interest rate swap transactions to hedge interest rate risk associated with interest expense.

The Company regularly monitors the financial condition of stock issuers and stock market fluctuations and continuously reviews shareholdings considering the market status and business relationship with the Company.

Derivative transactions entered into by the Company are implemented and controlled based on internal rules established by the board of directors. The rules which stipulate transaction purpose, nature of transaction, name of counterparty, transaction item, loss limitation and reporting system of risk amount. A derivative transaction which exceeds the limitation amount under the rule requires the approval of the board meeting.

(3) Monitoring of liquidity risk (the risk that the Companies may not be able to meet its obligations on scheduled due dates)

The Company timely formulates and updates the financing plan and controls liquidity risk by managing ready liquidity on the basis of reports from each division to the accounting department of the head office.

(d) Supplementary explanation of the fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or a reasonably assessed value if a quoted market price is not available. Fair value of financial instruments is calculated based on certain valuation assumptions and the fair value might differ if different factors are used. In addition, the contract amount of the derivative transactions described below in "Derivative Transactions" does not represent the market risk of the derivative transactions.

Fair value of financial instruments

The book value on the consolidated balance sheets, fair value and difference as of March 31, 2020 and 2019 were as follows. In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included (see “2. Financial instruments for which the fair value is extremely difficult to measure”).

	As of March 31, 2020		
	Millions of yen		
	Book value	Fair value	Difference
Cash on hand and in banks	¥ 16,669	¥ 16,669	¥ —
Trade notes and accounts receivable	20,853	20,853	—
Investment securities			
Other securities	1,319	1,319	—
Total assets	<u>¥ 38,841</u>	<u>¥ 38,841</u>	<u>¥ —</u>
Trade notes and accounts payable	¥ 11,943	¥ 11,943	¥ —
Short-term loans	4,924	4,924	—
Current portion of long-term debt	309	320	11
Income taxes payable	394	394	—
Long-term debt	13,586	13,727	141
Lease obligations	3,479	3,039	(440)
Total liabilities	<u>¥ 34,635</u>	<u>¥ 34,347</u>	<u>¥ (288)</u>
Derivatives (*)	¥ (138)	¥ (138)	¥ —
	As of March 31, 2019		
	Millions of yen		
	Book value	Fair value	Difference
Cash on hand and in banks	¥ 15,990	¥ 15,990	¥ —
Trade notes and accounts receivable	22,100	22,100	—
Investment securities			
Other securities	1,709	1,709	—
Total assets	<u>¥ 39,799</u>	<u>¥ 39,799</u>	<u>¥ —</u>
Trade notes and accounts payable	¥ 12,095	¥ 12,095	¥ —
Short-term loans	7,591	7,591	—
Current portion of long-term debt	282	281	(1)
Income taxes payable	824	824	—
Long-term debt	9,279	9,431	152
Lease obligations	726	715	(11)
Total liabilities	<u>¥ 30,797</u>	<u>¥ 30,937</u>	<u>¥ 140</u>
Derivatives (*)	¥ (32)	¥ (32)	¥ —

As of March 31, 2020			
Thousands of U.S. dollars			
	Book value	Fair value	Difference
Cash on hand and in banks	\$ 152,927	\$ 152,927	\$ —
Trade notes and accounts receivable	191,312	191,312	—
Investment securities			
Other securities	12,101	12,101	—
Total assets	<u>\$ 356,340</u>	<u>\$ 356,340</u>	<u>\$ —</u>
Trade notes and accounts payable	\$ 109,569	\$ 109,569	\$ —
Short-term loans	45,174	45,174	—
Current portion of long-term debt	2,835	2,936	101
Income taxes payable	3,615	3,615	—
Long-term debt	124,642	125,936	1,294
Lease obligations	31,918	27,881	(4,037)
Total liabilities	<u>\$ 317,753</u>	<u>\$ 315,111</u>	<u>\$ (2,642)</u>
Derivatives (*)	\$ (1,266)	\$ (1,266)	\$ —

(*) The amount is the net balance of total transactions. Amounts reported as liabilities are shown in parentheses.

Notes:

1. Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash on hand and in banks and Trade notes and accounts receivable

The book value approximates fair value because of the short maturity of these instruments.

Investment securities

The fair value of investment securities equals quoted market price. The fair value of debt securities is measured at the price provided by financial institutions. Investment securities based on holding purpose are described in “Note 7. Securities”.

Liabilities

Trade notes and accounts payable, Short-term loans and Income taxes payable

The book value approximates fair value because of the short maturity of these instruments.

Current portion of long-term debt and Long-term debt

The fair value of current portion of long-term debt and long-term debt is based on the present value of future cash flows discounted using the current borrowing rate for similar debt contracts of comparable maturity.

Lease obligations

The fair value of lease obligations is based on the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturity and contract conditions.

Derivative transactions

See “Note 17. Derivative Financial Instruments”.

2. Financial instruments for which the fair value is extremely difficult to measure as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Available-for-sale securities without market quotations:			2020
Unlisted securities	¥ 2,472	¥ 2,267	\$ 22,679

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

3. The aggregate maturities of monetary claims and held-to-maturity securities as of March 31, 2020 and 2019 were as follows:

	As of March 31, 2020	
	Millions of yen	
	Due within 1 year	Due after 1 year through 5 years
Cash on hand and in banks	¥ 16,669	¥ —
Trade notes and accounts receivable	20,853	—
	<u>¥ 37,522</u>	<u>¥ —</u>

	As of March 31, 2019	
	Millions of yen	
	Due within 1 year	Due after 1 year through 5 years
Cash on hand and in banks	¥ 15,990	¥ —
Trade notes and accounts receivable	22,100	—
	<u>¥ 38,090</u>	<u>¥ —</u>

	As of March 31, 2020	
	Thousands of U.S. dollars	
	Due within 1 year	Due after 1 year through 5 years
Cash on hand and in banks	\$ 152,927	\$ —
Trade notes and accounts receivable	191,312	—
	<u>\$ 344,239</u>	<u>\$ —</u>

4. The redemption schedules for long-term debt and lease obligations were disclosed in “Note 9. Short-term Loans and Long-term Debt”.

7. Securities

(a) As of March 31, 2020 and 2019, securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Available-for-sale securities for which market quotations are available			
Acquisition cost	¥ 1,512	¥ 1,498	\$ 13,872
Book value	1,317	1,708	12,083
Unrealized gain	<u>¥ (195)</u>	<u>¥ 210</u>	<u>\$ (1,789)</u>

(b) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales proceeds			
Available-for-sale securities	¥ 0	¥ 329	\$ 0
Aggregate gain			
Available-for-sale securities	¥ 0	¥ 164	\$ 0
Aggregate loss			
Available-for-sale securities	¥ (0)	¥ —	\$ (0)

8. Inventories

As of March 31, 2020 and 2019, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise	¥ 4,243	¥ 4,690	\$ 38,927
Finished goods	1,379	1,009	12,651
Work in process	1,938	1,586	17,780
Raw materials and supplies	5,637	6,139	51,715
Total	<u>¥ 13,197</u>	<u>¥ 13,424</u>	<u>\$ 121,073</u>

9. Short-term Loans and Long-term Debt

Short-term loans as of March 31, 2020 and 2019 were principally bank overdrafts and short-term notes bearing interest at annual average interest rates of 1.64% and 1.79%, respectively.

As of March 31, 2020 and 2019, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term loans, principally from banks (*)	¥ 13,895	¥ 9,561	\$ 127,477
Lease obligations	3,479	726	31,918
	17,374	10,287	159,395
Less: current portion - Long-term loans	(309)	(282)	(2,835)
Less: current portion - Lease obligations	(973)	(195)	(8,927)
Total	¥ 16,092	¥ 9,810	\$ 147,633

(*) As of March 31, 2020 and 2019, long-term loans and lease obligations consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term loans, at an annual average rate of 0.89	¥ 13,586	¥ 9,279	\$ 124,642
Lease obligations, at an annual average rate of 3.77	2,506	531	22,991
Current portion- Long-term loans, at an annual average rate of 0.39	309	282	2,835
Current portion- Lease obligations, at an annual average rate of 3.49	973	195	8,927
	¥ 17,374	¥ 10,287	\$ 159,395

The aggregate annual maturities of long-term debt and lease obligations as of March 31, 2020 were as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Long-term loans	Lease obligations	Long-term loans	Lease obligations
2022	¥ 3,903	¥ 587	\$ 35,807	\$ 5,385
2023	730	497	6,697	4,560
2024	557	368	5,110	3,376
2025	2,144	247	19,670	2,266
After above year	6,252	807	57,358	7,404
	¥ 13,586	¥ 2,506	\$ 124,642	\$ 22,991

10. Retirement Benefit Plan

(a) Outline of employee retirement benefits

The Company and certain consolidated subsidiaries have defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by two plans. One is governed by the regulations of the Defined Benefit Corporate Pension Law and the other is a severance indemnity by the Companies.

KOHA CO., LTD. (KOHA) also has defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by two plans. One is governed by the regulations of the Defined Benefit Corporate Pension Law and the other is a severance indemnity by KOHA.

Certain foreign consolidated subsidiaries have defined benefit pension plans and defined benefit lump-sum payment plans. The Company also has employee retirement benefit trusts.

During the year ended March 31, 2011, the Company and some of its domestic consolidated subsidiaries have changed a part of their retirement benefit plans from defined benefit plans to defined contribution plans.

Certain foreign consolidated subsidiaries have introduced their own defined contribution plans.

(b) Contributory defined benefit retirement plan

- (1) The changes in the defined benefit obligation and fair value of plan assets except plans for which the simplified method is applied for calculating retirement benefit obligations adopted by certain consolidated subsidiaries, during the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Change in benefit obligations:			
Benefit obligation, the beginning of the year	¥ 12,543	¥ 12,941	\$ 115,073
Service cost	505	449	4,633
Interest cost	55	55	505
Actuarial loss (gain)	76	(142)	697
Benefit payments	(770)	(602)	(7,064)
Effects of changes in foreign exchange rates	27	(159)	248
Changes due to transfer	185	—	1,697
Other	—	1	—
Benefit obligation, the end of the year	<u>¥ 12,621</u>	<u>¥ 12,543</u>	<u>\$ 115,789</u>
Change in fair value of plan assets:			
Plan assets, the beginning of the year	¥ 11,513	¥ 11,578	\$ 105,624
Expected return on plan assets	253	238	2,321
Actuarial gain	(83)	(246)	(761)
Employer contributions	766	519	7,027
Benefit payments	(533)	(448)	(4,890)
Effects of changes in foreign exchange rates	48	(128)	440
Changes due to transfer	183	—	1,679
Plan assets, the end of the year	<u>¥ 12,147</u>	<u>¥ 11,513</u>	<u>\$ 111,440</u>

(2) Changes in the defined benefit obligation and fair value of plan assets estimated by the simplified method for calculating retirement benefit obligations for the years ended March 31, 2020 and 2019.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Change in net defined benefit liability			
Net defined benefit liability, the beginning of the year	¥ 112	¥ 110	\$ 1,028
Service cost	13	7	119
Benefit payments	(25)	(5)	(230)
Benefit obligation, the end of the year	¥ 100	¥ 112	\$ 917

(3) Reconciliation of the projected benefit obligation and plan assets with net defined benefit liability and asset reflected on the consolidated balance sheets as of March 31, 2020 and 2019.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Funded projected benefit obligation	¥ 12,152	¥ 12,075	\$ 111,486
Plan assets	(12,147)	(11,513)	(111,440)
	¥ 5	¥ 562	\$ 46
Unfunded projected benefit obligation	569	580	5,220
Net of liability and asset reported on the consolidated balance sheets	¥ 574	¥ 1,142	\$ 5,266
Net defined benefit liability	¥ 2,920	¥ 3,136	\$ 26,789
Net defined benefit asset	(2,346)	(1,994)	(21,523)
Net of liability and asset reported on the consolidated balance sheets	¥ 574	¥ 1,142	\$ 5,266

(4) Components of pension expense for the years ended March 31, 2020 and 2019.

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Service cost	¥ 517	¥ 457	\$ 4,743
Interest cost	55	55	505
Expected return on plan assets	(253)	(238)	(2,321)
Amortization of actuarial differences	362	370	3,321
Amortization of prior service cost	(28)	(28)	(257)
Other	23	11	211
Net pension expense	¥ 676	¥ 627	\$ 6,202

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effect) in accumulated other comprehensive income and other comprehensive income were as follows for the years ended March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥ 28	¥ 28	\$ 257
Net actuarial difference	(197)	(306)	(1,807)
Total	<u>¥ (169)</u>	<u>¥ (278)</u>	<u>\$ (1,550)</u>

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	¥ (79)	¥ (107)	\$ (725)
Unrecognized actuarial difference	846	1,043	7,762
Total	<u>¥ 767</u>	<u>¥ 936</u>	<u>\$ 7,037</u>

(6) Matters related to pension assets

i. Major components of pension assets

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 were as follows.

	2020	2019
Bonds	29 %	31 %
Equity securities	44	47
Life insurance company general accounts	11	12
Cash and cash equivalents	8	1
Other	8	9
	<u>100 %</u>	<u>100 %</u>

(*)Of total plan assets, 22% and 22% were included in a retirement benefit trust (stocks, cash and bank deposits) established for the corporate pension plan as of March 31, 2020 and 2019, respectively.

ii. Method for expected long-term rate of return on pension plan

The Companies determine the expected long-term rate of return on pension plan assets based on the current and expected asset allocation, as well as the current and expected long-term rate of return from various assets which constitute the plan assets.

- (7) Assumptions used in actuarial calculations
The assumptions used in accounting for the above plans for the years ended March 31, 2020 and 2019 were as follows.

	2020	2019
Discount rates	0.0 ~ 5.3 %	0.0 ~ 5.3 %
Expected rates of long-term return on plan assets	1.8 ~ 2.8	1.8 ~ 3.3
Expected rates of salary	2.0 ~ 5.0	2.0 ~ 5.0

(c) Defined contribution plans

The required contributions by the Companies were ¥191 million (\$1,752 thousand) and ¥176 million for the years ended March 31, 2020 and 2019, respectively.

11. Other Comprehensive Income

Reclassification adjustments and the related tax effects for components of other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized holding gain (loss) on securities			
Amount arising during the period	¥ (405)	¥ (368)	\$ (3,716)
Reclassification adjustments for gains and losses included in net income	18	(123)	166
Before tax effect	(387)	(491)	(3,550)
Tax effect	40	97	367
Unrealized holding gain (loss) on securities	(347)	(394)	(3,183)
Deferred gain (loss) from hedging instruments			
Amount arising during the period	0	—	0
Reclassification adjustments for gains and losses included in net income	—	—	—
Before tax effect	0	—	0
Tax effect	(0)	—	(0)
Deferred gain (loss) from hedging instruments	0	—	0
Translation adjustments			
Amount arising during the period	(311)	(1,318)	(2,853)
Reclassification adjustments for gains and losses included in net income	—	(40)	—
Before tax effect	(311)	(1,358)	(2,853)
Tax effect	—	10	—
Translation adjustments	(311)	(1,348)	(2,853)
Retirement benefits liability adjustments			
Amount arising during the period	(164)	(62)	(1,505)
Reclassification adjustments for gains and losses included in net income	333	341	3,056
Before tax effect	169	279	1,551
Tax effect	(10)	143	(92)
Retirement benefits liability adjustments	159	422	1,459
Share of other comprehensive income of affiliates accounted for by the equity method	(56)	(124)	(514)
Amount arising during the period			
Total amount of other comprehensive income	¥ (555)	¥ (1,444)	\$ (5,091)

12. Treasury Stock

The Company had 680 thousand shares and 728 thousand shares of treasury stock as of March 31, 2020 and 2019, respectively, in order to prepare for the exercise of stock options granted to certain directors and executive officers, subject to the approval of the General Meeting of Shareholders.

The amount of treasury stock is stated at cost and is presented as a separate component of shareholders' equity.

13. Selling, General and Administrative Expenses

For the years ended March 31, 2020 and 2019, the significant components of selling, general and administrative expenses were as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Salaries	¥ 6,480	¥ 6,359	\$ 59,450
Pension expense	641	599	5,881
Research and development expense	939	926	8,615
Freight	2,051	2,252	18,817
Provision for directors' bonuses	42	70	385
Accrued bonuses	595	677	5,459

14. Research and Development Expenses

Total research and development expenses included in manufacturing costs and selling, general and administrative expenses amounted to ¥1,035 million (\$9,495 thousand) and ¥1,067 million for the years ended March 31, 2020 and 2019, respectively.

15. Income Taxes

As of March 31, 2020, and 2019, the significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Tax loss carryforwards(*2)	¥ 1,624	¥ 1,487	\$ 14,899
Loss on valuation of inventories	126	83	1,156
Accrued enterprise taxes	25	60	229
Accrued bonuses	287	328	2,633
Net defined benefit liability	1,254	1,292	11,505
Loss on valuation of investment securities	165	196	1,514
Loss on impairment of fixed assets	53	53	486
Unrealized profit on inventories	225	209	2,064
Other	452	495	4,147
Subtotal	4,211	4,203	38,633
Valuation allowance(*1) :			
Tax loss carryforwards(*2)	(1,443)	(959)	(13,238)
Deductible temporary differences	(1,311)	(1,218)	(12,028)
Subtotal	(2,754)	(2,177)	(25,266)
Total deferred tax assets	¥ 1,457	¥ 2,026	\$ 13,367
Deferred tax liabilities:			
Net defined benefit asset	¥ 162	¥ 190	\$ 1,486
Unrealized holding gain (loss) on securities	51	91	468
Other	709	651	6,505
Total deferred tax liabilities	922	932	8,459
Net deferred tax assets	¥ 535	¥ 1,094	\$ 4,908

(*1) The increase in the valuation allowance for tax loss carryforwards was mainly a result of the careful consideration of its recoverability in light of the uncertain status of the impact of COVID-19.

(*2) The breakdown of tax loss carryforwards and deferred tax assets by expiration is as follows.

	As of March 31, 2020		
	Millions of yen		
	Tax loss carryforwards (1)	Valuation allowance	Deferred tax assets
Within 1 year	¥ 35	¥ (35)	¥ —
Over 1 year but within 3 years	465	(454)	11
Over 3 years but within 5 years	129	(19)	110
Over 5 years but within 10 years	323	(275)	48
Over 10 years	672	(660)	12
	¥ 1,624	¥ (1,443)	¥ 181 (2)

As of March 31, 2019						
Millions of yen						
	Tax loss carryforwards (1)		Valuation allowance		Deferred tax assets	
Within 1 year	¥	24	¥	(14)	¥	10
Over 1 year but within 3 years		525		(240)		285
Over 3 years but within 5 years		156		—		156
Over 5 years but within 10 years		78		(30)		48
Over 10 years		704		(675)		29
	¥	1,487	¥	(959)	¥	528 (2)

As of March 31, 2020						
Thousands of U.S. dollars						
	Tax loss carryforwards (1)		Valuation allowance		Deferred tax assets	
Within 1 year	\$	321	\$	(321)	\$	—
Over 1 year but within 3 years		4,266		(4,165)		101
Over 3 years but within 5 years		1,183		(174)		1,009
Over 5 years but within 10 years		2,963		(2,523)		440
Over 10 years		6,166		(6,055)		111
	\$	14,899	\$	(13,238)	\$	1,661 (2)

(1) The Companies calculate tax loss carryforwards using the statutory tax rate.

(2) The Companies assess the possibility of realizing deferred tax assets based on estimated future taxable income for each taxpaying entity calculated using the medium-term management plan.

The reconciliation between the statutory tax rate and the effective tax rates for the years ended March 31, 2020 and 2019 was as follows:

	2020	2019
Statutory tax rate	30.6 %	30.6 %
Effect of:		
Non-deductible expenses for tax purpose	5.4	1.7
Non-taxable items	(4.0)	(3.3)
Inhabitant tax on per capita basis	1.1	0.4
Amortization of goodwill	0.8	0.3
Equity in earnings of affiliates	(2.0)	(0.8)
Tax rate difference applied for foreign subsidiaries	(2.9)	(2.6)
Change in valuation allowance	19.3	(18.3)
Foreign income taxes	8.4	2.7
Retained earnings of subsidiaries	2.3	0.8
Others	(0.4)	(1.5)
Effective tax rates	<u>58.6 %</u>	<u>10.0 %</u>

16. Leases

Finance lease transactions (lessee)

(a) Finance lease transactions with ownership transfer

Lease assets:

- Property, plant and equipment: Display units (machinery and equipment)
- Intangible fixed assets: Software

Lease assets are depreciated using the same method as fixed assets.

(b) Finance lease transactions without ownership transfer

Lease assets:

- Property, plant and equipment: Building and structures, machinery and equipment in connection with Electronic Components business, machinery and equipment in connection with IT, warehouse facilities and factories, sales offices and company vehicles which apply IFRS16 at overseas subsidiaries
- Intangible fixed assets: Software

Lease assets are depreciated by the straight-line method over the respective lease terms, assuming no residual value.

Operating lease transactions (lessee)

The future payments under non-cancelable operating leases as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥ 25	¥ 188	\$ 229
Due after one year	45	183	413
	<u>¥ 70</u>	<u>¥ 371</u>	<u>\$ 642</u>

(*) At some subsidiaries outside Japan IFRS 16 (“Leases”) have been adopted from the beginning of the fiscal year ending March 31, 2020. In line with this adoption, the Company generally recognizes all leases as a lessee as assets or liabilities on the consolidated balance sheet. So, the operating lease of these subsidiaries are not included in amount of the current fiscal year.

17. Derivative Financial Instruments

The Companies do not hold or issue derivatives for trading purposes and it is the Companies’ policy to use derivatives only for the purpose of reducing exposure to market risks and financing costs in accordance with internal policies. The Companies do not anticipate any losses resulting from default of the counterparties as these are limited to major financial institutions with sound credit ratings.

As of March 31, 2020, and 2019, for which hedge accounting has not been applied are summarized as follows:

(a) Foreign currency-related transactions

Derivative transactions	As of March 31, 2020			
	Millions of yen			
	Contract amount	Portion maturing over one year	Fair value	Difference
<i>Transactions outside the market:</i>				
Forward foreign exchange contracts:				
Buy				
USD	¥ 191	¥ —	¥ (0)	¥ (0)
Currency swaps:				
Receive in Japanese yen and pay in U.S. dollars	¥ 1,320	¥ 1,320	¥ (47)	¥ (47)
Total	<u>¥ 1,511</u>	<u>¥ 1,320</u>	<u>¥ (47)</u>	<u>¥ (47)</u>

Derivative transactions	As of March 31, 2019			
	Millions of yen			
	Contract amount	Portion maturing over one year	Fair value	Difference
<i>Transactions outside the market:</i>				
Forward foreign exchange contracts:				
Buy				
USD	¥ 66	¥ —	¥ 0	¥ 0

Derivative transactions	As of March 31, 2020			
	Thousands of U.S. dollars			
	Contract amount	Portion maturing over one year	Fair value	Difference
<i>Transactions outside the market:</i>				
Forward foreign exchange contracts:				
Buy				
USD	\$ 1,752	\$ —	\$ (0)	\$ (0)
Interest rate and currency swaps:				
Receive in Japanese yen and pay in U.S. dollars	\$ 12,110	\$ 12,110	\$ (431)	\$ (431)
Total	<u>\$ 13,862</u>	<u>\$ 12,110</u>	<u>\$ (431)</u>	<u>\$ (431)</u>

(*) Price provided by financial institutions.

(b) Rate and Currency-related transactions

Derivative transactions	As of March 31, 2020			
	Millions of yen			
	Contract amount	Portion maturing over one year	Fair value	Difference
<i>Transactions outside the market:</i>				
Interest rate and currency swaps:				
Receive variable and pay fixed	¥ 568	¥ 568	¥ (90)	¥ (90)
Receive in U.S. dollars and pay in Thai baht				

Derivative transactions	As of March 31, 2019			
	Millions of yen			
	Contract amount	Portion maturing over one year	Fair value	Difference
<i>Transactions outside the market:</i>				
Interest rate and currency swaps:				
Receive variable and pay fixed	¥ 576	¥ 576	¥ (32)	¥ (32)
Receive in U.S. dollars and pay in Thai baht				

Derivative transactions	As of March 31, 2020			
	Thousands of U.S. dollars			
	Contract amount	Portion maturing over one year	Fair value	Difference
<i>Transactions outside the market:</i>				
Interest rate and currency swaps:				
Receive variable and pay fixed				
Receive in U.S. dollars and pay in Thai baht	\$ 5,211	\$ 5,211	\$ (826)	\$ (826)

(*) Price provided by financial institutions.

The notional amounts and the fair value of the derivative instruments outstanding as of March 31, 2020 and 2019, for which hedge accounting has been applied are summarized as follows:

(a) Foreign currency-related transactions

Derivative transactions	Main hedged items	As of March 31, 2020		
		Millions of yen		
		Contract amount	Portion maturing over one year	Fair value
<i>Foreign exchange allocation method:</i>				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	¥ 843	¥ —	¥ (*1)
EUR	Trade accounts receivable	30	—	(*1)
Buy				
USD	Trade accounts payable	1,075	—	(*1)
<i>Deferral hedge accounting:</i>				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	0	—	0
Total		¥ 1,948	¥ —	¥ 0

		As of March 31, 2019		
		Millions of yen		
Derivative transactions	Main hedged items	Contract amount	Portion maturing over one year	Fair value
<i>Foreign exchange allocation method:</i>				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	¥ 950	¥ —	¥ (*1)
EUR	receivable	10	—	(*1)
Buy				
USD	Trade accounts payable	443	—	(*1)
Total		¥ 1,403	¥ —	¥ —

		As of March 31, 2020		
		Thousands of U.S. dollars		
Derivative transactions	Main hedged items	Contract amount	Portion maturing over one year	Fair value
<i>Foreign exchange allocation method:</i>				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	\$ 7,734	\$ —	\$ (*1)
EUR	receivable	275	—	(*1)
Buy				
USD	Trade accounts receivable	9,863	—	(*1)
<i>Deferral hedge accounting:</i>				
Forward foreign exchange contracts:				
Sell				
USD	Trade accounts receivable	0	—	0
Total		\$ 17,872	\$ —	\$ 0

(*1) The fair value is included in the fair value of the accounts receivable-trade and the accounts payable-trade since the forward foreign exchange contracts are accounted for as part of accounts receivable and payable under the allocation method for hedge accounting.

(*2) Price provided by financial institutions.

(b) Interest rate-related transactions

Derivative transactions	Main hedged items	As of March 31, 2020		
		Millions of yen		
		Contract amount	Portion maturing over one year	Fair value
Interest-rate swaps: Pay fixed and receive variable	Long-term debt	¥ 5,320	¥ 5,320	¥ (*)

Derivative transactions	Main hedged items	As of March 31, 2019		
		Millions of yen		
		Contract amount	Portion maturing over one year	Fair value
Interest-rate swaps: Pay fixed and receive variable	Long-term debt	¥ 4,482	¥ 4,420	¥ (*)

Derivative transactions	Main hedged items	As of March 31, 2020		
		Thousands of U.S. dollars		
		Contract amount	Portion maturing over one year	Fair value
Interest-rate swaps: Pay fixed and receive variable	Long-term debt	\$ 48,807	\$ 48,807	\$ (*)

(*) The fair value is included in the fair value of long-term debt since the short-cut method is applied.

18. Financial Guarantees

The Company is contingently liable as a guarantor of borrowings for non-consolidated subsidiaries (NOVEL CRYSTAL TECHNOLOGY, INC.) in the amounts of ¥16 million (\$147 thousand) and ¥19 million for the years ended March 31, 2020 and 2019, respectively.

19. Business Combination, etc.

There was no significant business combination for the years ended March 31, 2020.

20. Loan Commitment

In order to achieve more efficient and flexible financing, the Company has concluded loan commitment contracts with five financial institutions.

The status of these contracts as of March 31, 2020 and 2019 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Maximum overdraft amount and total amount of loan commitment	¥ 2,500	¥ 2,500	\$ 22,936
Executed loan amounts	—	1,500	—
Net amount	¥ 2,500	¥ 1,000	\$ 22,936

21. Stock Options

- (a) Stock options expenses recognized in selling, general and administrative expenses for the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Selling, general and administrative expenses	¥ 19	¥ 26	\$ 174

- (b) Outline of stock options and changes

a. Outline of stock options

Date of resolution	The 2nd Stock Option Plan June 29, 2005	The 3rd Stock Option Plan June 29, 2006	The 4th Stock Option Plan June 28, 2007
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 9	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 7
Number of stock options	Common shares 35,000	Common shares 28,000	Common shares 30,000
Grant date	July 1, 2005	July 1, 2006	July 1, 2007
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	For the period of five years from the next day of retirement of director and executive officer	July 1, 2006 to June 30, 2036	July 1, 2007 to June 30, 2037
Date of resolution	The 5th Stock Option Plan June 27, 2008	The 6th Stock Option Plan June 26, 2009	The 7th Stock Option Plan June 29, 2010
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 4	Directors 6 (Exclude outside director) Executive officers 6
Number of stock options	Common shares 42,000	Common shares 77,000	Common shares 52,000
Grant date	July 1, 2008	July 1, 2009	July 1, 2010
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	July 1, 2008 to June 30, 2038	July 1, 2009 to June 30, 2039	July 1, 2010 to June 30, 2040
Date of resolution	The 8th Stock Option Plan June 29, 2011	The 9th Stock Option Plan June 28, 2012	The 10th Stock Option Plan June 27, 2013
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 6	Directors 6 (Exclude outside director) Executive officers 6
Number of stock options	Common shares 65,000	Common shares 72,000	Common shares 78,000
Grant date	July 1, 2011	July 1, 2012	July 1, 2013
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	July 1, 2011 to June 30, 2041	July 1, 2012 to June 30, 2042	July 1, 2013 to June 30, 2043

Date of resolution	The 11th Stock Option Plan June 26, 2014	The 12th Stock Option Plan June 26, 2015	The 13th Stock Option Plan June 28, 2016
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 6	Directors 7 (Exclude outside director) Executive officers 5	Directors 6 (Exclude outside director) Executive officers 5
Number of stock options	Common shares 52,000	Common shares 36,000	Common shares 50,000
Grant date	July 1, 2014	July 1, 2015	July 1, 2016
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	July 1, 2014 to June 30, 2044	July 1, 2015 to June 30, 2045	July 1, 2016 to June 30, 2046
Date of resolution	The 14th Stock Option Plan June 28, 2017	The 15th Stock Option Plan June 27, 2018	The 16th Stock Option Plan June 26, 2019
Title and number of grantees	Directors 6 (Exclude outside director) Executive officers 8	Directors 6 (Exclude outside director) Executive officers 7	Directors 5 (Exclude outside director) Executive officers 10
Number of stock options	Common shares 37,000	Common shares 43,000	Common shares 41,300
Grant date	July 1, 2017	July 1, 2018	July 1, 2019
Condition for vesting	Retirement of director and executive officer	Retirement of director and executive officer	Retirement of director and executive officer
Requisite service period	N.A.	N.A.	N.A.
Exercise period	July 1, 2017 to June 30, 2047	July 1, 2018 to June 30, 2048	July 1, 2019 to June 30, 2049

The Company's stock option plans were designed as stock compensation to directors and executive officers after the directors' retirement benefit plan was abolished in June 2005.

b. Stock options granted and changes

The movement in the number of stock options for the year ended March 31, 2020 is presented after conversion to the number of shares.

Number of stock options	(Shares)		
Date of resolution	The 2nd Stock Option Plan June 29, 2005	The 3rd Stock Option Plan June 29, 2006	The 4th Stock Option Plan June 28, 2007
Before vested			
Previous fiscal year-end	12,000	11,000	13,000
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	12,000	11,000	13,000
After vested			
Previous fiscal year-end	—	—	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Exercisable	—	—	—
Date of resolution	The 5th Stock Option Plan June 27, 2008	The 6th Stock Option Plan June 26, 2009	The 7th Stock Option Plan June 29, 2010
Before vested			
Previous fiscal year-end	20,000	49,000	39,000
Granted	—	—	—
Forfeited	—	—	—
Vested	—	4,000	5,000
Outstanding	20,000	45,000	34,000
After vested			
Previous fiscal year-end	—	—	3,000
Vested	—	4,000	5,000
Exercised	—	4,000	8,000
Forfeited	—	—	—
Exercisable	—	—	—

Date of resolution	The 8th Stock Option Plan June 29, 2011	The 9th Stock Option Plan June 28, 2012	The 10th Stock Option Plan June 27, 2013
Before vested			
Previous fiscal year-end	43,000	57,000	74,000
Granted	—	—	—
Forfeited	—	—	—
Vested	5,000	9,000	15,000
Outstanding	38,000	48,000	59,000
After vested			
Previous fiscal year-end	3,000	4,000	—
Vested	5,000	9,000	15,000
Exercised	8,000	10,000	11,000
Forfeited	—	—	—
Exercisable	—	3,000	4,000
Date of resolution	The 11th Stock Option Plan June 26, 2014	The 12th Stock Option Plan June 26, 2015	The 13th Stock Option Plan June 28, 2016
Before vested			
Previous fiscal year-end	50,000	29,000	44,000
Granted	—	—	—
Forfeited	—	—	—
Vested	11,000	3,000	6,000
Outstanding	39,000	26,000	38,000
After vested			
Previous fiscal year-end	—	—	—
Vested	11,000	3,000	6,000
Exercised	3,000	—	—
Forfeited	—	—	—
Exercisable	8,000	3,000	6,000
Date of resolution	The 14th Stock Option Plan June 28, 2017	The 15th Stock Option Plan June 27, 2018	The 16th Stock Option Plan June 26, 2019
Before vested			
Previous fiscal year-end	32,000	37,400	—
Granted	—	—	41,300
Forfeited	—	—	1,200
Vested	4,000	6,300	2,600
Outstanding	28,000	31,100	37,500
After vested			
Previous fiscal year-end	—	—	—
Vested	4,000	6,300	2,600
Exercised	1,000	2,700	600
Forfeited	—	—	—
Exercisable	3,000	3,600	2,000

Price information

(Yen)

Date of resolution	The 2nd Stock Option Plan June 29, 2005	The 3rd Stock Option Plan June 29, 2006	The 4th Stock Option Plan June 28, 2007
Exercise price	1	1	1
Average stock price at exercise	—	—	—
Fair value at the grant date	—	464	653
Date of resolution	The 5th Stock Option Plan June 27, 2008	The 6th Stock Option Plan June 26, 2009	The 7th Stock Option Plan June 29, 2010
Exercise price	1	1	1
Average stock price at exercise	—	703	606
Fair value at the grant date	426	348	203
Date of resolution	The 8th Stock Option Plan June 29, 2011	The 9th Stock Option Plan June 28, 2012	The 10th Stock Option Plan June 27, 2013
Exercise price	1	1	1
Average stock price at exercise	583	602	520
Fair value at the grant date	203	151	163
Date of resolution	The 11th Stock Option Plan June 26, 2014	The 12th Stock Option Plan June 26, 2015	The 13th Stock Option Plan June 28, 2016
Exercise price	1	1	1
Average stock price at exercise	717	—	—
Fair value at the grant date	321	423	229
Date of resolution	The 14th Stock Option Plan June 28, 2017	The 15th Stock Option Plan June 27, 2018	The 16th Stock Option Plan June 26, 2019
Exercise price	1	1	1
Average stock price at exercise	621	621	621
Fair value at the grant date	439	617	474

(c) Valuation technique used to determine the fair value of stock options

The 16th stock options granted in the fiscal year ended March 31, 2020 were valued using the following valuation technique.

Valuation technique: Black-Scholes option-pricing model

Principal assumptions used in the option-pricing model:

Date of resolution	The 16th Stock Option Plan June 26, 2019
Expected volatility(*1)	40.89%
Average expected life(*2)	10 years
Expected dividends(*3)	10 yen per share
Risk-free interest rate(*4)	-0.16%

(*1) Calculated based on the actual stock prices from April 2009 to June 2019.

(*2) The average expected life could not be estimated rationally as data was insufficient. Therefore, it was estimated assuming that the options were exercised at the 1/3 point of the exercise period.

(*3) Calculated based on actual dividends on common stock for the year ended March 31, 2019, the dividend policy of the Company and prior years' actual dividends.

(*4) Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating the number of stock options to be vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the number of stock options that will be forfeited in the future.

22. Segment Information

(a) Overview of reportable segments

The reportable segments of the Companies are components for which separate financial information is available and which are reviewed regularly by the board of directors in deciding resource allocation and in assessing performance.

Each business division develops comprehensive business strategies for products in Japan and overseas and conducts business activities.

Accordingly, the Company consists of three reportable segments, identified by the products and based on the business divisions, which are classified as the "Electronic Components" business, the "Electronic Chemicals / FA Systems" business and the "Information Equipment" business.

The "Electronic Components" business manufactures transformers, reactors, AC adaptors, battery chargers, piezoelectric ceramic products and LED-related products. The "Electronic Chemicals / FA Systems" business manufactures solder paste, solder resist, flux and soldering system. The "Information Equipment" business manufactures audio mixing console for broadcast used, wireless microphone system, communication network equipment and OEM products.

(b) Calculation method for net sales, segment income or loss, and other items of the reportable segments

The accounting policies of the segments are substantially the same as those described in Note 1. Significant Accounting Policies.

Segment income is based on operating income.

Inter-segment sales are recorded at the same prices used in transactions with third parties.

As noted in “Note 3. Accounting Changes”, consolidated subsidiaries outside Japan adopting IFRS have applied IFRS 16 (“Leases”) from the beginning of the fiscal year ended March 31, 2020. Accordingly, an approach was adopted as a transitional measure in which any cumulative impact of the application of this standard is recognized on the initial date of application.

The impact on segment income(loss) for the fiscal year ended March 31, 2020 was immaterial.

(c) Information on net sales, income or loss, assets and liabilities, and other items by the reportable segment

		Year ended March 31, 2020							
		Millions of yen							
		Reportable segments				Other (*1)	Total	Adjustments (*2)	Consoli- dated (*3)
		Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Subtotal				
Net Sales									
Sales-									
Customers	¥	50,872	¥ 25,342	¥ 3,440	¥ 79,654	¥ 1	¥ 79,655	¥ —	¥ 79,655
Inter-segment		0	98	59	157	640	797	(797)	—
		50,872	25,440	3,499	79,811	641	80,452	(797)	79,655
Segment income (loss)	¥	275	¥ 2,553	¥ 77	¥ 2,905	¥ (12)	¥ 2,893	¥ (604)	¥ 2,289
Other items									
Depreciation and amortization	¥	2,028	¥ 1,091	¥ 123	¥ 3,242	¥ 8	¥ 3,250	¥ 16	¥ 3,266
Amortization of goodwill	¥	61	¥ 39	¥ —	¥ 100	¥ —	¥ 100	¥ —	¥ 100
Increase in tangible and intangible fixed assets	¥	3,461	¥ 980	¥ 78	¥ 4,519	¥ 2	¥ 4,521	¥ 1	¥ 4,522
		Year ended March 31, 2019							
		Millions of yen							
		Reportable segments				Other (*1)	Total	Adjustments (*2)	Consoli- dated (*3)
		Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Subtotal				
Net Sales									
Sales-									
Customers	¥	54,795	¥ 28,084	¥ 4,123	¥ 87,002	¥ 6	¥ 87,008	¥ —	¥ 87,008
Inter-segment		—	80	78	158	665	823	(823)	—
		54,795	28,164	4,201	87,160	671	87,831	(823)	87,008
Segment income (loss)	¥	962	¥ 3,572	¥ 481	¥ 5,015	¥ 18	¥ 5,033	¥ (433)	¥ 4,600
Other items									
Depreciation and amortization	¥	1,175	¥ 912	¥ 109	¥ 2,196	¥ 8	¥ 2,204	¥ 15	¥ 2,219
Amortization of goodwill	¥	65	¥ 42	¥ —	¥ 107	¥ —	¥ 107	¥ —	¥ 107
Increase in tangible and intangible fixed assets	¥	3,873	¥ 2,153	¥ 77	¥ 6,103	¥ 2	¥ 6,105	¥ 14	¥ 6,119

Year ended March 31, 2020								
Thousands of U.S. dollars								
	Reportable segments				Other (*1)	Total	Adjustments (*2)	Consoli- dated (*3)
	Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Subtotal				
Net Sales								
Sales-								
Customers	\$ 466,716	\$ 232,495	\$ 31,560	\$ 730,771	\$ 9	\$ 730,780	\$ —	\$ 730,780
Inter-segment	0	899	541	1,440	5,872	7,312	(7,312)	—
	466,716	233,394	32,101	732,211	5,881	738,092	(7,312)	730,780
Segment income (loss)	\$ 2,523	\$ 23,422	\$ 706	\$ 26,651	\$ (110)	\$ 26,541	\$ (5,541)	\$ 21,000
Other items								
Depreciation and amortization	\$ 18,606	\$ 10,009	\$ 1,128	\$ 29,743	\$ 73	\$ 29,816	\$ 147	\$ 29,963
Amortization of goodwill	\$ 559	\$ 358	\$ —	\$ 917	\$ —	\$ 917	\$ —	\$ 917
Increase in tangible and intangible fixed assets	\$ 31,752	\$ 8,991	\$ 716	\$ 41,459	\$ 18	\$ 41,477	\$ 9	\$ 41,486

(*1) “Other” includes businesses not included in the reportable segments, which includes the transportation, warehouse businesses in the years ended March 31, 2020 and 2019.

(*2) Adjustments for segment income (loss) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Inter-segment eliminations	¥ 64	¥ 68	\$ 587
Corporate costs (*)	(668)	(501)	(6,128)
Total	¥ (604)	¥ (433)	\$ (5,541)

(*) Corporate costs are mainly future R&D expenses at the head office, which are not allocated to the reportable segments.

(*3) Segment income is adjusted with operating income in the consolidated statement of income.

(*4) Adjustments for “Depreciation and amortization” and “Increase in tangible and intangible fixed assets” are mainly capital investment and depreciation relating to future R&D assets at the head office, which are not allocated to the reportable segments.

(*5) Assets of the Company are not allocated to the business segments.

(d) Related information

(1) Information by product and service

		Year ended March 31, 2020				
		Millions of yen				
		Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	¥	50,872	¥ 25,342	¥ 3,440	¥ 1	¥ 79,655

		Year ended March 31, 2019				
		Millions of yen				
		Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	¥	54,795	¥ 28,084	¥ 4,123	¥ 6	¥ 87,008

		Year ended March 31, 2020				
		Thousands of U.S. dollars				
		Electronic Components	Electronic Chemicals / FA Systems	Information Equipment	Other	Consolidated
Sales- Customers	\$	466,716	\$ 232,495	\$ 31,560	\$ 9	\$ 730,780

(2) Information by geographical area

i. Sales

		Year ended March 31, 2020						
		Millions of yen						
		Japan	China	Other Asia	Europe	North and South America	Other	Consoli- dated
Net Sales	¥	34,757	¥ 18,084	¥ 15,464	¥ 7,423	¥ 3,651	¥ 276	¥ 79,655

		Year ended March 31, 2019						
		Millions of yen						
		Japan	China	Other Asia	Europe	North and South America	Other	Consoli- dated
Net Sales	¥	37,110	¥ 24,187	¥ 14,155	¥ 7,502	¥ 3,764	¥ 290	¥ 87,008

Year ended March 31, 2020							
Thousands of U.S. dollars							
	Japan	China	Other Asia	Europe	North and South America	Other	Consolidated
Net Sales	\$ 318,872	\$ 165,908	\$ 141,872	\$ 68,101	\$ 33,495	\$ 2,532	\$ 730,780

ii. Property, plant and equipment

Year ended March 31, 2020							
Millions of yen							
	Japan	China	Other Asia	Europe	North and South America	Other	Consolidated
Property, plant and equipment	¥ 15,861	¥ 5,996	¥ 3,813	¥ 768	¥ 244		¥ 26,682

Year ended March 31, 2019							
Millions of yen							
	Japan	China	Other Asia	Europe	North and South America	Other	Consolidated
Property, plant and equipment	¥ 14,972	¥ 3,532	¥ 3,289	¥ 458	¥ 244		¥ 22,495

Year ended March 31, 2020							
Thousands of U.S. dollars							
	Japan	China	Other Asia	Europe	North and South America	Other	Consolidated
Property, plant and equipment	\$ 145,513	\$ 55,009	\$ 34,982	\$ 7,046	\$ 2,239		\$ 244,789

(3) Information by major customer

This information has been omitted because there is no specific customer representing 10% or more of net sales recorded in the consolidated statements of income for the years ended March 31, 2020 and 2019.

(e) Information about impairment loss on fixed assets for each reportable segment

Fiscal year ended March 31, 2020: Not applicable

Fiscal year ended March 31, 2019: Not applicable

- (f) Information about amortization and balance of goodwill for each reportable segment:

		Year ended March 31, 2020				
		Millions of yen				
		Electronic	Electronic	Information	Other	Consolidated
		Components	Chemicals / FA Systems	Equipment		
Amortization	¥	61	¥ 39	¥ —	¥ —	¥ 100
Balance as of March 31		15	318	—	—	333

		Year ended March 31, 2019				
		Millions of yen				
		Electronic	Electronic	Information	Other	Consolidated
		Components	Chemicals / FA Systems	Equipment		
Amortization	¥	65	¥ 42	¥ —	¥ —	¥ 107
Balance as of March 31		77	370	—	—	447

		Year ended March 31, 2020				
		Thousands of U.S. dollars				
		Electronic	Electronic	Information	Other	Consolidated
		Components	Chemicals / FA Systems	Equipment		
Amortization	\$	559	\$ 358	\$ —	\$ —	\$ 917
Balance as of March 31		138	2,917	—	—	3,055

- (g) Information about gains on negative goodwill for each reportable segment

Fiscal year ended March 31, 2020: Not applicable

Fiscal year ended March 31, 2019: Not applicable

23. Related Party Transactions

Fiscal year ended March 31, 2020: Not applicable

Fiscal year ended March 31, 2019: Not applicable

24. Subsequent Events

There were no significant subsequent events for the years ended March 31, 2020 and 2019.