



TSUBAKIMOTO CHAIN CO.
and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2020
with Independent Auditor's Report

Consolidated Balance Sheet

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2020

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current assets:			
Cash and deposits (Notes 6 and 22)	¥ 29,019	¥ 33,647	\$266,697
Short-term investments (Notes 6, 7 and 22)	3,965	4,114	36,441
Trade notes and accounts receivable (Note 6)	45,699	46,721	419,995
Electronically recorded monetary claims (Notes 6 and 13)	11,346	13,085	104,279
Inventories (Notes 8 and 10)	40,278	41,884	370,172
Other current assets	4,547	4,892	41,790
Allowance for doubtful accounts (Note 6)	(773)	(397)	(7,107)
Total current assets	134,083	143,949	1,232,269
Property, plant and equipment, at cost:			
Land (Notes 9 and 14)	37,513	37,554	344,762
Buildings and structures (Notes 9 and 20)	75,917	72,648	697,707
Machinery, equipment and vehicles (Note 20)	129,905	126,025	1,193,877
Tools, furniture and fixtures (Note 20)	30,562	27,585	280,882
Construction in progress	5,224	7,050	48,013
Subtotal	279,124	270,864	2,565,243
Less accumulated depreciation	(160,544)	(153,917)	(1,475,459)
Property, plant and equipment, net (Notes 4 and 26)	118,579	116,946	1,089,783
Investments and other assets:			
Investments in securities (Notes 6 and 7)	20,887	22,982	191,966
Investments in unconsolidated subsidiaries and an affiliate	3,463	3,486	31,835
Long-term loans receivable	12	11	111
Deferred tax assets (Notes 5 and 11)	2,038	2,071	18,737
Goodwill (Notes 5, 20 and 26)	2,773	3,387	25,490
Intangible assets (Notes 4, 5 and 20)	8,587	9,399	78,923
Other assets	3,792	3,804	34,849
Allowance for doubtful accounts	(119)	(123)	(1,101)
Total investments and other assets	41,436	45,020	380,813
Total assets (Notes 4 and 26)	¥ 294,098	¥ 305,916	\$ 2,702,866

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and net assets	2020	2019	2020
Current liabilities:			
Short-term loans (Notes 6 and 9)	¥ 12,893	¥ 12,708	\$ 118,491
Current portion of long-term debt and finance lease obligations (Notes 6 and 9)	4,628	10,210	42,534
Trade notes and accounts payable (Note 6)	17,374	20,289	159,679
Electronically recorded obligations (Note 6)	11,632	15,842	106,909
Income taxes payable (Note 11)	1,682	2,269	15,461
Accrued bonuses to employees	3,952	4,307	36,329
Accrued expenses	4,598	5,228	42,258
Provision for loss on construction contracts (Note 16)	249	106	2,293
Other current liabilities (Note 4)	10,070	11,655	92,549
Total current liabilities	67,081	82,617	616,505
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 6 and 9)	24,945	21,230	229,255
Long-term accounts payable	30	47	280
Liability for retirement benefits (Note 12)	13,529	13,872	124,343
Provision for retirement benefits for directors and audit & supervisory board members	117	106	1,079
Deferred tax liabilities (Note 11)	6,085	6,338	55,932
Deferred tax liabilities on land revaluation (Note 14)	5,001	5,001	45,963
Asset retirement obligations	430	422	3,954
Other long-term liabilities (Note 4)	820	824	7,538
Total long-term liabilities	50,961	47,844	468,348
Contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 15):			
Common stock:			
Authorized —59,800,000 shares in 2020 and 2019			
Issued —38,281,393 shares in 2020 and 2019	17,076	17,076	156,940
Capital surplus	13,563	13,559	124,655
Retained earnings (Note 27)	149,487	142,442	1,373,836
Treasury stock, at cost:			
1,272,780 shares in 2020 and 431,255 shares in 2019	(4,253)	(1,047)	(39,092)
Total shareholders' equity	175,873	172,030	1,616,340
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 7)	8,551	9,824	78,594
Net unrealized deferred (loss) gain on derivative instruments (Note 24)	17	(11)	162
Net unrealized loss on land revaluation (Note 14)	(10,614)	(10,614)	(97,549)
Translation adjustments	1,178	3,285	10,832
Retirement benefits liability adjustments (Note 12)	(647)	(780)	(5,953)
Total accumulated other comprehensive income	(1,513)	1,703	(13,913)
Non-controlling interests	1,695	1,720	15,584
Total net assets	176,055	175,454	1,618,011
Total liabilities and net assets	¥294,098	¥305,916	\$2,702,866

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales (Note 26)	¥226,423	¥238,515	\$2,080,903
Cost of sales (Notes 16, 17 and 19)	166,158	171,958	1,527,048
Gross profit	60,264	66,556	553,855
Selling, general and administrative expenses (Notes 18 and 19)	44,118	44,767	405,463
Operating income (Note 26)	16,146	21,789	148,391
Other income (expenses):			
Interest and dividend income	1,163	1,002	10,692
Interest expense	(381)	(364)	(3,507)
Equity in earnings of an affiliate	44	27	405
Foreign exchange (loss) gain, net	(304)	(305)	(2,794)
Gain on revision to retirement benefit plan	533	—	4,904
Loss on sales or disposal of property, plant and equipment, net	(47)	(154)	(439)
Loss on impairment of fixed assets (Notes 20 and 26)	(419)	(2,193)	(3,852)
Loss on sales of investments in securities	(2)	—	(26)
Settlement package	—	(443)	—
Other, net (Note 7)	77	75	716
Profit before income taxes	16,809	19,432	154,488
Income taxes (Note 11):			
Current	4,853	6,070	44,607
Deferred	269	(492)	2,480
	5,123	5,577	47,087
Profit	11,686	13,855	107,400
Profit attributable to:			
Non-controlling interests	109	75	1,008
Owners of parent (Note 25)	¥ 11,576	¥ 13,779	\$ 106,392

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥11,686	¥13,855	\$107,400
Other comprehensive income (loss):			
Net unrealized holding loss on securities	(1,272)	(2,343)	(11,694)
Net unrealized deferred gain (loss) on derivative instruments	29	(58)	268
Translation adjustments	(2,142)	(1,045)	(19,691)
Retirement benefits liability adjustments	132	135	1,221
Share of other comprehensive loss of an affiliate accounted for by the equity method	(9)	(22)	(89)
Total other comprehensive loss, net (Note 21)	(3,262)	(3,334)	(29,985)
Comprehensive income	¥ 8,423	¥10,520	\$ 77,415
Comprehensive income attributable to:			
Owners of parent	¥ 8,359	¥10,564	\$ 76,822
Non-controlling interests	64	(43)	592

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2020

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred (loss) gain on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments (Note 12)	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥17,076	¥13,559	¥133,394	¥(1,032)	¥12,168	¥ 47	¥(10,614)	¥ 4,234	¥(916)	¥1,848	¥169,765
Cash dividends paid	—	—	(4,731)	—	—	—	—	—	—	—	(4,731)
Profit attributable to owners of parent for the year	—	—	13,779	—	—	—	—	—	—	—	13,779
Purchases of treasury stock	—	—	—	(15)	—	—	—	—	—	—	(15)
Disposal of treasury stock	—	0	—	0	—	—	—	—	—	—	0
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	(2,343)	(58)	—	(948)	135	(128)	(3,343)
Balance at April 1, 2019	¥17,076	¥13,559	¥142,442	¥(1,047)	¥ 9,824	¥(11)	¥(10,614)	¥ 3,285	¥(780)	¥1,720	¥175,454
Cumulative effect of change in accounting principle (Note 4)	—	—	14	—	—	—	—	—	—	—	14
Restated balance at April 1, 2019	17,076	13,559	142,456	(1,047)	9,824	(11)	(10,614)	3,285	(780)	1,720	175,468
Cash dividends paid	—	—	(4,541)	—	—	—	—	—	—	—	(4,541)
Profit attributable to owners of parent for the year	—	—	11,576	—	—	—	—	—	—	—	11,576
Purchases of treasury stock	—	—	—	(3,206)	—	—	—	—	—	—	(3,206)
Disposal of treasury stock	—	0	—	0	—	—	—	—	—	—	0
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	4	(4)	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	(1,272)	29	—	(2,107)	133	(24)	587
Balance at March 31, 2020	¥17,076	¥13,563	¥149,487	¥(4,253)	¥ 8,551	¥ 17	¥(10,614)	¥ 1,178	¥(647)	¥1,695	¥176,055

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred (loss) gain on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments (Note 12)	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$156,940	\$124,614	\$1,309,092	\$ (9,630)	\$ 90,289	\$ (105)	\$ (97,549)	\$ 30,199	\$ (7,176)	\$15,807	\$1,612,483
Cumulative effect of change in accounting principle (Note 4)	—	—	132	—	—	—	—	—	—	—	132
Restated balance at April 1, 2019	156,940	124,614	1,309,224	(9,630)	90,289	(105)	(97,549)	30,199	(7,176)	15,807	1,612,615
Cash dividends paid	—	—	(41,742)	—	—	—	—	—	—	—	(41,742)
Profit attributable to owners of parent for the year	—	—	106,392	—	—	—	—	—	—	—	106,392
Purchases of treasury stock	—	—	—	(29,467)	—	—	—	—	—	—	(29,467)
Disposal of treasury stock	—	0	—	5	—	—	—	—	—	—	6
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	38	(38)	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	(11,694)	268	—	(19,366)	1,222	(223)	5,395
Balance at March 31, 2020	\$156,940	\$124,655	\$1,373,836	\$ (39,092)	\$ 78,594	\$ 162	\$ (97,549)	\$ 10,832	\$ (5,953)	\$15,584	\$1,618,011

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2020

	2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
Cash flows from operating activities:			
Profit before income taxes	¥ 16,809	¥ 19,432	\$ 154,488
Adjustments for:			
Depreciation and amortization	12,739	12,366	117,081
Loss on impairment of fixed assets	419	2,193	3,852
Amortization of goodwill	181	478	1,663
Loss on sales or disposal of property, plant and equipment, net	47	154	439
Loss on valuation of investments in securities	56	—	517
Loss on sales of investments in securities	2	—	26
Loss on valuation of investment in capital of subsidiaries and affiliates	25	—	236
Increase (decrease) in allowance for doubtful accounts	380	(7)	3,498
(Decrease) increase in liability for retirement benefits	(135)	458	(1,245)
Decrease in trade notes and accounts receivable	2,233	2,340	20,522
Increase (decrease) in inventories	884	(4,664)	8,128
Decrease in trade notes and accounts payable	(6,435)	(3,523)	(59,143)
(Decrease) increase Other, net	(2,598)	1,640	(23,884)
Subtotal	24,610	30,869	226,183
Interest and dividends received	1,167	1,028	10,733
Interest paid	(413)	(345)	(3,796)
Income taxes paid	(5,089)	(7,354)	(46,776)
Net cash provided by operating activities	20,275	24,197	186,343
Cash flows from investing activities:			
Increase in time deposits, net	43	425	399
Purchases of investments in securities	(15)	(212)	(140)
Proceeds from sales and redemption of investments in securities	215	328	1,979
Payments for acquisition of capital of subsidiary resulting in change in scope of consolidation (Note 22)	—	(15,457)	—
Payment for investments in unconsolidated subsidiaries and an affiliate	—	(177)	—
Proceeds from liquidation of subsidiaries	—	78	—
Decrease in short-term loans receivable, net	7	0	66
(Decrease) increase in long-term loans receivable, net	(1)	1	(17)
Purchases of property, plant and equipment	(14,661)	(17,273)	(134,741)
Proceeds from sales of property, plant and equipment	171	198	1,572
Net cash provided by (used in) investing activities	(14,241)	(32,088)	(130,880)
Cash flows from financing activities:			
Increase in short-term loans, net	376	1,813	3,464
Proceeds from long-term loans	8,495	1,274	78,076
Repayment of long-term loans	(893)	(407)	(8,211)
Proceeds from issuance of bonds	—	14,913	—
Redemption of bonds	(10,000)	—	(91,903)
Repayment of finance lease obligations	(521)	(76)	(4,795)
Repayments of installment payables	(6)	(5)	(58)
Cash dividends paid	(4,541)	(4,731)	(41,742)
Cash dividends paid to non-controlling interests	(88)	(84)	(815)
Purchases of treasury stock	(3,206)	(15)	(29,467)
Sales of treasury stock	0	0	6
Net cash provided by (used in) financing activities	(10,385)	12,679	(95,446)
Effect of exchange rate changes on cash and cash equivalents	(358)	(414)	(3,291)
Net (decrease) increase in cash and cash equivalents	(4,708)	4,374	(43,275)
Cash and cash equivalents at beginning of the year	36,087	31,712	331,654
Cash and cash equivalents at end of the year (Note 22)	¥ 31,378	¥ 36,087	\$ 288,379

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2020

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. (the "Company") and consolidated subsidiaries 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 ("IFRS"), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥108.81 = U.S. \$1.00, the exchange rate prevailing on March 31, 2020. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements both in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All material intercompany balances and transactions have been eliminated in consolidation.

The balance sheet dates of certain consolidated subsidiaries are December 31 or January 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the periods from January 1 or February 1 through March 31 have been adjusted, if necessary. For one overseas consolidated subsidiary whose fiscal year-end is December 31, for consolidation purposes, the financial statements are prepared as of and for the year ended March 31.

The number of consolidated subsidiaries and an affiliate accounted for by the equity method for the years ended March 31, 2020 and 2019 is summarized below:

	2020	2019
Domestic subsidiaries	8	8
Overseas subsidiaries	56	56
Overseas affiliate	1	1

(b) Cash and cash equivalents

For the preparation of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(d) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

All securities held by the Company and its consolidated subsidiaries are classified as "other securities" and have been accounted for as outlined above.

(e) Derivatives and hedging activities

Derivatives are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt ("special treatment"). Receivables, payables and loans hedged by forward foreign exchange contracts which meet certain conditions are accounted for by the allocation method. Under the allocation method, such receivables, payables and loans denominated in foreign currencies are translated at the corresponding contract rates.

The hedge effectiveness of derivative transactions is assessed by comparing the cumulative changes in cash flows or fair values of the underlying hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an assessment of hedge effectiveness is omitted for forward foreign exchange contracts meeting certain conditions for applying the allocation method and interest-rate swaps meeting certain conditions for applying the special treatment.

(f) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the first-in, first-out method, the individual identification method or the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market.

(g) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. The Company and its domestic consolidated subsidiaries mainly calculate depreciation by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than structures attached to the buildings) and structures attached to buildings and other structures acquired on or after April 1, 2017. The foreign consolidated subsidiaries mainly calculate depreciation by the straight-line method over the estimated useful lives of the respective assets.

The principal estimated useful lives are summarized as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 13 years

(h) Goodwill

Goodwill is amortized primarily over a period of 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Leases

For lease transactions involving the transfer of ownership, leased assets are depreciated by the same depreciation method applied to property, plant and equipment owned by the lessee.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over their lease term using the straight-line method with a residual value of zero.

(j) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Accrued bonuses to employees

Accrued bonuses to employees are provided based on the estimated amount of bonuses to be paid to employees which are charged to income in the current year.

(l) Provision for retirement benefits for directors and Audit & Supervisory Board members

Directors and Audit & Supervisory Board members of domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. Provision for retirement benefits for directors and Audit & Supervisory Board members have been made at an estimated amount based on the internal rules.

(m) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for anticipated future losses on outstanding projects if such future loss on construction projects is anticipated at the year end and the loss amount can be reasonably estimated.

Provision for loss on order contracts is provided for anticipated future losses on outstanding projects if such future loss on order is anticipated at the year end and the loss amount can be reasonably estimated.

(n) Retirement benefits to employees

The liability for retirement benefits to employees is recorded based on the retirement benefit obligation less the fair value of the pension plan assets. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

Actuarial differences are amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period which is shorter than the average estimated remaining years of service of the eligible employees (10 years).

As permitted under the accounting standard for retirement benefits, certain domestic subsidiaries calculate their retirement benefit obligation for their employees by the simplified method. Under the simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet dates.

(o) Recognition of contract revenue and cost

The Company and its consolidated subsidiaries recognize revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company and its consolidated subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction

projects where the outcome cannot be reliably measured, the completed-contract method is applied.

(p) Intangible assets and research and development costs

Amortization of intangible assets other than software capitalized is calculated by the straight-line method over the estimated useful lives of the respective assets.

Research and development costs are charged to income when incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives (5 years).

(q) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests, net unrealized holding gain on securities, and net unrealized deferred gain on derivative instruments are translated at their historical exchange rates. Revenue and expense accounts of the overseas consolidated subsidiaries are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of profit but are reported as "Translation adjustments" as a component of accumulated other comprehensive income (loss) and as "Non-controlling interests" in the accompanying consolidated balance sheets.

(r) Distribution of retained earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such distributions. Please refer to "Distribution of retained earnings" in Note 27.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting Standard and Implementation Guidance for Revenue Recognition

On March 30, 2018, the Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(a) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue recognition.

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

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ended March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

Accounting Standard for Fair Value Measurement
Implementation Guidance on Accounting Standard for Fair Value Measurement
Accounting Standard for Measurement of Inventories
Accounting Standard for Financial Instruments
Implementation Guidance on Disclosures about Fair Value of Financial Instruments

On July 4, 2019, the ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No.31), "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9), "Accounting Standard for Financial Instruments" (ASBJ Statement No.10), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19).

(a) Overview

In order to improve comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as "Accounting Standards for Fair Value Measurement") have been developed, and guidance on how to calculate fair value has been established. Accounting Standards for Fair Value Measurement are applied to the fair value of the following items.

- Financial instruments defined in "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes defined in "Accounting Standard for Measurement of Inventories"

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and disclosures in the notes such as a breakdown of the fair value of financial instruments by level have been established.

(b) Scheduled date of adoption

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

(c) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24)

(a) Overview

It is intended to provide an overview of the accounting principles and procedures adopted when the relevant accounting standards are not clear.

(b) Scheduled date of adoption

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

Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31)

(a) Overview

The purpose is to disclose information that contributes to the understanding of users of financial statements of the amounts recorded in the financial statements for the current fiscal year based on accounting estimates, regarding the contents of accounting estimates for items that have a risk of having a significant impact on the financial statements for the next fiscal year.

(b) Scheduled date of adoption

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

4. CHANGES IN ACCOUNTING POLICIES

Application of U.S. Financial Accounting Standards Board Accounting Standards Codification (ASC) No. 606, “Revenue from Contracts with Customers”

Subsidiaries that apply U.S. GAAP have applied ASC No. 606, “Revenue from Contracts with Customers,” from the fiscal year ended March 31, 2020. As a result, when the promised good or service is transferred to the customer, revenue is recognized at an amount that reflects the consideration expected to be obtained in exchange for the good or service.

This accounting standard was applied in accordance with transitional treatment, and the method of recognizing the

cumulative impact of the application of this accounting standard is recognized on the date of initial application with an adjustment to the balance of retained earnings at the beginning of the fiscal year.

As a result, the beginning balance of “retained earnings” as of April 1, 2019 increased by ¥14 million (\$132 thousand). The impact on profit or loss and per share information for the fiscal year ended March 31, 2020 is immaterial.

Application of IFRS 16 “Leases”

Subsidiaries that apply IFRS have applied IFRS 16 “Leases” from the fiscal year ended March 31, 2020. As a result, lessees record all leases as assets and liabilities on the balance sheet, in principle.

This accounting standard was applied in accordance with transitional treatment, and the method of recognizing the cumulative effect of the application of this accounting standard on the date of initial application is adopted.

As a result, “Property, plant and equipment” as of March 31, 2020 increased by ¥487 million (\$4,478 thousand), “Intangible assets” increased by ¥7 million (\$70 thousand), “Other current liabilities” increased by ¥238 million (\$2,187 thousand) and “Other long-term liabilities” increased by ¥245 million (\$2,258 thousand). The impact on profit or loss and per share information for the fiscal year ended March 31, 2020 is immaterial.

5. ADDITIONAL INFORMATION

Due to the spread of new coronavirus pandemic, economic activities are contracting rapidly, and the business environment is changing.

The Group has also been impacted by the pandemic including experiencing a decrease in demand, and it is difficult for the Group to forecast business performance.

These circumstances have also affected the accounting estimates of the Group, and the Company revised the significant assumptions used in evaluating goodwill and other intangible assets, mainly in response to the expected worsening business environment in the U.S. at the end of fiscal year ended March 31, 2020.

As a result, an impairment loss of goodwill and other intangible assets in the amount of ¥419 million (\$3,852 thousand) was recorded for the fiscal year ended March 31, 2020.

Incorporating the assumption that the impact of the spread of the new coronavirus pandemic will continue until around the third quarter of the fiscal year ending March 2021, the Group will make an accounting estimates mainly related to impairment of fixed assets and recoverability of deferred tax assets.

As estimating the impact of the spread of the new coronavirus pandemic involves uncertainties, however, there is a possibility of differences between the estimates and the actual results, if the assumptions above change.

6. FINANCIAL INSTRUMENTS

(1) Overview

(a) Policy for financial instruments

The Company and its consolidated subsidiaries obtain necessary funding principally by bank borrowings and bonds issuance. Temporary surplus funds are managed through low-risk financial assets. Derivatives are utilized for mitigating fluctuation risks of foreign currency exchange rates or interest rates, and not utilized for speculative purposes.

(b) Types of financial instruments and related risk

Trade notes and accounts receivable and electronically recorded monetary claims are exposed to the credit risk of customers. The Company and its consolidated subsidiaries conduct their business globally and the trade receivables denominated in foreign currencies incurred from export transactions are exposed to the fluctuation risk of foreign currencies. This risk is mitigated by utilizing forward foreign exchange contracts.

Securities are mainly composed of stocks of the companies with which the Group has business relationships or capital alliances and they are exposed to fluctuation risk of market prices.

The credit risk of held-to-maturity debt securities is minimal since such investments are principal-guarantee securities or securities with high credit ratings.

Almost all trade payables, notes, accounts payable and electronically recorded obligations are due within one year. Certain trade payables resulting from import transactions are denominated in foreign currencies and the Company and its consolidated subsidiaries utilize forward foreign exchange contracts, as with trade receivables. Loans and bonds are utilized for necessary financing of operating funds and capital expenditures. Certain portions of loans are exposed to the fluctuation risks of foreign currency exchange rates and interest rates because of borrowings in foreign currency and floating interest rates and these risks are hedged by utilizing derivative transactions (interest-rate swap agreements and currency swap agreements).

Derivative transactions are entered into to hedge the foreign currency fluctuation risk of trade receivables, trade payables and debt securities denominated in foreign currencies by utilizing forward foreign exchange contracts, and to hedge interest rate fluctuation risks of certain loans by utilizing interest-rate swap agreements. Refer to (e) "Derivatives and hedging activities" in Note 2 "Summary of Significant Accounting Policies" and Note 24 "Derivatives and Hedging Activities" for information on hedge accounting, such as hedging instruments and hedged items.

(c) Risk management for financial instruments

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

In accordance with internal rules of credit management of the Company, each business department manages the collection

due dates and receivable balances of its customers, periodically monitors the financial conditions of customers and tries to identify credit risk of customers with worsening financial conditions at the early stage to mitigate any risk. Consolidated subsidiaries perform similar credit management.

The Company and certain consolidated subsidiaries enter into derivative transactions with financial institutions with high credit ratings to mitigate the risk of credit loss in the event of nonperformance by the counterparties.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates and interest rates)

The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts for hedging currency fluctuation risk arising from trade receivables, trade payables and debt securities denominated in foreign currencies. The Company also utilizes interest-rate swap agreements and currency swap agreements to mitigate interest rate risk and foreign currency exchange risk on debt denominated in foreign currencies.

The Company and its consolidated subsidiaries continuously review securities holdings by monitoring periodically the market value and financial condition of the securities' issuers (companies with business relationships or business alliances with the Company and its consolidated subsidiaries) and by evaluating those relationships.

Each business department determines the amount of each forward foreign exchange contract within the actual underlying transaction amount, and the responsible finance department enters into and manages these forward foreign exchange contracts. The finance department enters into and manages interest-rate swap agreements and currency swap agreements in the course of undertaking borrowing contracts.

(iii) Monitoring of liquidity risk (the risk that the Company and its consolidated subsidiaries may not be able to meet its obligations on scheduled due dates)

The Company and its consolidated subsidiaries manage liquidity risk by preparing cash flow plans on a timely basis and so forth.

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 24 "Derivatives and Hedging Activities" are not necessarily indicative of the actual market risk involved in the derivative transactions.

(2) Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the difference as of March 31, 2020 and 2019, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Millions of yen					
	2020			2019		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 29,019	¥ 29,019	¥ —	¥ 33,647	¥ 33,647	¥ —
Trade notes and accounts receivable	45,699	—	—	46,721	—	—
Electronically recorded monetary claims	11,346	—	—	13,085	—	—
Allowance for doubtful accounts*1	(773)	—	—	(397)	—	—
	56,273	56,273	—	59,409	59,409	—
Short-term investments and investments in securities:						
Held-to-maturity debt securities	—	—	—	200	200	(0)
Other securities	24,496	24,496	—	26,540	26,540	—
Total assets	¥109,789	¥109,789	¥ —	¥119,798	¥119,798	¥ —
Liabilities:						
Trade notes and accounts payable	¥ 17,374	¥ 17,374	¥ —	¥ 20,289	¥ 20,289	¥ —
Electronically recorded obligations	11,632	11,632	—	15,842	15,842	—
Short-term loans	12,893	12,893	—	12,708	12,708	—
Long-term debt*2	28,616	29,082	(466)	31,064	31,700	(635)
Total liabilities	¥ 70,516	¥ 70,982	¥(466)	¥ 79,905	¥ 80,540	¥(635)
Derivatives, net*3	¥ 8	¥ 8	¥ —	¥ 5	¥ 5	¥ —

	Thousands of U.S. dollars		
	2020		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	\$ 266,697	\$ 266,697	\$ —
Trade notes and accounts receivable	419,995	419,995	—
Electronically recorded monetary claims	104,279	104,279	—
Allowance for doubtful accounts*1	(7,107)	(7,107)	—
	517,167	517,167	—
Short-term investments and investments in securities:			
Held-to-maturity debt securities	—	—	—
Other securities	225,134	225,134	—
Total assets	\$1,008,999	\$1,008,999	\$ —
Liabilities:			
Trade notes and accounts payable	\$ 159,679	\$ 159,679	\$ —
Electronically recorded obligations	106,909	106,909	—
Short-term loans	118,491	118,491	—
Long-term debt*2	262,991	267,276	(4,285)
Total liabilities	\$ 648,072	\$ 652,357	\$(4,285)
Derivatives, net*3	\$ 81	\$ 81	\$ —

*1 Allowance for doubtful accounts on specific bad debts is deducted from "Trade notes, accounts receivable" and "Electronically recorded monetary claims."

*2 Debt consists of loans and bonds. Long-term debt includes the current portion of long-term debt.

*3 Assets and liabilities arising from derivatives are shown at net value, and the amount in parentheses represents a net liability position.

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

Assets

Cash and deposits, trade notes and accounts receivable, electronically recorded monetary claims

Since these items are settled in a short time period, their carrying value approximates fair value.

Short-term investments and investments in securities

The fair value of equity securities is based on their quoted market prices. Since certificates of deposit are settled in a short time period, their carrying value approximates fair value.

For information on securities classified by holding purpose, please refer to Note 7 "Short-Term Investments and Investments in Securities" of the notes to the consolidated financial statements.

Liabilities

Trade notes and accounts payable, electronically recorded obligations, short-term loans
Since these items are settled in a short time period, their carrying value approximates fair value.

Long-term debt

The fair value of long-term loans is based on the present value of the total principal and interest discounted by the estimated interest rates to be applied if similar new loans are made.

The fair value of bonds payable is based on present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

Derivative transactions

Please refer to Note 24 "Derivatives and Hedging Activities."

Note 2: Financial instruments for which it is extremely difficult to determine the fair value:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted securities	¥1,708	¥1,709	\$15,699

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.

Note 3: The redemption schedule for monetary assets and securities with maturities subsequent to March 31, 2020 and 2019 are as follows:

Millions of yen				
2020				
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	¥28,987	¥—	¥—	¥—
Trade notes and accounts receivable	45,699	—	—	—
Electronically recorded monetary claims	11,346	—	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (credit-linked bonds)	—	—	—	—
Other securities with maturity dates	—	—	—	—
Debt securities	—	—	—	—
Other	3,965	—	—	—
	¥89,999	¥—	¥—	¥—

Millions of yen				
2019				
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	¥33,415	¥—	¥—	¥—
Trade notes and accounts receivable	46,721	—	—	—
Electronically recorded monetary claims	13,085	—	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (credit-linked bonds)	—	200	—	—
Other securities with maturity dates	—	—	—	—
Debt securities	—	—	—	—
Other	4,114	—	—	—
	¥97,336	¥200	¥—	¥—

Thousands of U.S. dollars				
2020				
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	\$266,404	\$—	\$—	\$—
Trade notes and accounts receivable	419,995	—	—	—
Electronically recorded monetary claims	104,279	—	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (credit-linked bonds)	—	—	—	—
Other securities with maturity dates	—	—	—	—
Debt securities	—	—	—	—
Other	32,111	—	—	—
	\$827,121	\$—	\$—	\$—

7. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

(a) Short-term investments and investments in securities with determinable market value classified as held-to-maturity debt securities are as follows:

	2020			2019		
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
Held-to-maturity debt securities whose fair value exceeds their carrying value:	¥—	¥—	¥—	¥200	¥200	¥0
	¥—	¥—	¥—	¥200	¥200	¥0

Millions of yen

Thousands of U.S. dollars

	2020		
	Carrying value	Fair value	Unrealized gain
Held-to-maturity debt securities whose fair value exceeds their carrying value:	\$—	\$—	\$—
	\$—	\$—	\$—

(b) Short-term investments and investments in securities with determinable market value classified as other securities at March 31, 2020 and 2019 are summarized as follows:

	2020			2019		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥19,973	¥ 7,566	¥12,406	¥22,347	¥ 8,290	¥14,057
Subtotal	19,973	7,566	12,406	22,347	8,290	14,057
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	558	780	(222)	78	117	(39)
Debt securities	—	—	—	—	—	—
Other	3,965	3,965	—	4,114	4,114	—
Subtotal	4,523	4,745	(222)	4,192	4,232	(39)
Total	¥24,496	¥12,312	¥12,184	¥26,540	¥12,523	¥14,017

Millions of yen

Thousands of U.S. dollars

	2020		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$183,561	\$ 69,542	\$114,018
Subtotal	183,561	69,542	114,018
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	5,131	7,175	(2,043)
Debt securities	—	—	—
Other	36,441	36,441	—
Subtotal	41,573	43,616	(2,043)
Total	\$225,134	\$113,159	\$111,975

(c) Sales of bonds held to maturity for the fiscal years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales	¥200	¥—	\$1,838
Gross realized gain	—	—	—
Gross realized loss	—	—	—

(d) Sales of other securities for the fiscal years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales	¥15	¥328	\$141
Gross realized gain	—	20	—
Gross realized loss	2	11	26

(e) The Company recorded loss on valuation of investments in securities of ¥56 million (\$517 thousand) for the fiscal year ended March 31, 2020.

8. INVENTORIES

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Finished goods	¥18,369	¥18,536	\$168,826
Work in process	12,268	13,363	112,753
Raw materials and supplies	9,639	9,984	88,592
	¥40,278	¥41,884	\$370,172

9. SHORT-TERM LOANS, LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Short-term loans consisted principally of loans from banks and insurance companies at weighted average interest rates of 1.0% and 1.3% at March 31, 2020 and 2019, respectively.

Long-term debt and finance lease obligations at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loans, principally from banks and insurance companies, due through 2025 at an average annual interest rate of 0.6% and 1.9% at March 31, 2020 and 2019, respectively:			
Secured	¥ —	¥ —	\$ —
Unsecured	13,616	6,064	125,136
Straight bonds payable due 2019 at an interest rate of 0.41%	—	10,000	—
Straight bonds payable due 2025 at an interest rate of 0.30%	5,000	5,000	45,951
Straight bonds payable due 2028 at an interest rate of 0.52%	10,000	10,000	91,903
Lease obligations	957	376	8,798
	29,573	31,440	271,790
Less current portion	(4,628)	(10,210)	(42,534)
Total	¥24,945	¥ 21,230	\$229,255

Other interest-bearing liabilities included in other current liabilities and long-term accounts payable represented installment payables at an average annual interest rate of 2.1% at March 31, 2020.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2020 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 4,628	\$ 42,534
2022	920	8,460
2023	4,506	41,414
2024	266	2,450
2025	4,185	38,465
2026 and thereafter	15,066	138,464
Total	¥29,573	\$271,790

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2020 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 6	\$ 58
2022	6	58
2023	4	38
Total	¥17	\$156

10. INVENTORY RELATED TO CONSTRUCTION CONTRACT AND PROVISION FOR CONSTRUCTION LOSS

Inventories relating to construction contracts in which losses are expected to occur and provisions for construction losses are shown in both denominated structures without offsetting. Of the inventories related to construction contracts where losses are expected to occur, the amount corresponding to the provision for construction losses is as follows:

	Millions of yen	Thousands of U.S. dollars	
	2020	2019	2020
Work in progress	¥87	¥104	\$808

11. INCOME TAXES

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.6% and 30.6% for the fiscal years ended March 31, 2020 and 2019, respectively.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the statutory tax rate for the fiscal years ended March 31, 2020 and 2019 was as follows:

	2020	2019
Statutory tax rate	—	30.6%
Non-deductible entertainment expenses and others	—	0.9
Non-taxable dividend income and others	—	(0.5)
Inhabitants' per capita taxes	—	0.3
Changes in valuation allowance	—	0.4
Tax exemption regarding investment preferential tax system	—	(1.3)
Tax exemption regarding research and development costs	—	(1.4)
Equity in earnings of affiliates	—	(0.1)
Differences of statutory tax rate in consolidated subsidiaries	—	(0.5)
Other	—	0.3
Effective tax rates	—	28.7%

Assets pledged as collateral for short-term loans of ¥65 million at March 31, 2019 were composed of the following:

	Millions of yen	Thousands of U.S. dollars	
	2020	2019	2020
Buildings and structures	¥—	¥452	\$—
Land	—	1,242	—
	¥—	¥1,694	\$—

The Company has concluded line-of-credit agreements with certain banks to achieve efficient financing. The status of these lines of credit at March 31, 2020 and 2019 is as follows:

	Millions of yen	Thousands of U.S. dollars	
	2020	2019	2020
Lines of credit	¥15,000	¥15,000	\$137,854
Credit utilized	—	—	—
Available credit	¥15,000	¥15,000	\$137,854

The disclosure is omitted for the year ended March 31, 2020 as the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Tax loss carryforwards	¥ 1,643	¥ 1,531	\$ 15,104
Liability for retirement benefits	4,038	4,095	37,119
Accrued bonuses	930	931	8,551
Inventories	568	674	5,220
Loss on impairment	1,019	1,091	9,372
Other	5,340	4,979	49,084
Total gross deferred tax assets	13,541	13,303	124,453
Valuation allowance for tax loss carryforwards (Note)	(1,332)	(1,234)	(12,150)
Valuation allowance for deductible temporary differences	(835)	(741)	(7,680)
Total valuation allowance (Note)	(2,157)	(1,976)	(19,830)
Total deferred tax assets	11,384	11,327	104,623
Deferred tax liabilities:			
Unrealized holding gain on securities	(3,616)	(4,171)	(33,235)
Deferred gain on replacement of property	(4,021)	(4,029)	(36,959)
Undistributed earnings of overseas subsidiaries	(2,552)	(2,516)	(23,460)
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	(1,773)	(1,775)	(16,298)
Other	(3,467)	(3,101)	(31,863)
Total deferred tax liabilities	(15,431)	(15,594)	(141,818)
Net deferred tax liabilities	¥ (4,047)	¥ (4,266)	\$ (37,194)

Note: A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2020 is as follows:

	Millions of yen						
	2020						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards ^(a)	¥ 243	¥ 196	¥ 171	¥ 165	¥ 78	¥ 788	¥ 1,643
Valuation allowance	(232)	(184)	(164)	(165)	(77)	(499)	(1,332)
Deferred tax assets	¥ 10	¥ 12	¥ 7	¥ —	¥ 1	¥ 289	¥ 321 ^(b)

	Thousands of U.S. dollars						
	2020						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards ^(a)	\$ 2,237	\$ 1,807	\$ 1,578	\$ 1,517	\$ 720	\$ 7,243	\$ 15,104
Valuation allowance	(2,137)	(1,691)	(1,508)	(1,517)	(707)	(4,586)	(12,150)
Deferred tax assets	\$ 99	\$ 116	\$ 69	\$ —	\$ 12	\$ 2,656	\$ 2,954 ^(b)

(a) The tax loss carryforwards in the above table are measured using the statutory tax rates.

(b) Deferred tax assets of ¥321 million (\$2,954 thousand) were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of ¥1,643 million (\$15,104 thousand), whose amount is multiplied by the statutory tax rate. The tax loss carryforwards for which deferred tax assets are recognized were caused by the loss before income taxes in previous years and so on, and based on considerations of the prospect of estimated future taxable income, the Company has determined that the corresponding amounts is recoverable and has not recognized a valuation allowance.

	Millions of yen						
	2019						
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards ^(a)	¥ 112	¥ 240	¥ 183	¥ 111	¥ 122	¥ 760	¥ 1,531
Valuation allowance	(112)	(238)	(183)	(111)	(122)	(465)	(1,234)
Deferred tax assets	¥ —	¥ 1	¥ —	¥ —	¥ —	¥ 294	¥ 296 ^(b)

(a) The tax loss carryforwards in the above table are measured using the statutory tax rates.

(b) Deferred tax assets of ¥296 million were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of ¥1,531 million, whose amount is multiplied by the statutory tax rate. The tax loss carryforwards for which deferred tax assets are recognized were caused by the loss before income taxes in previous years and so on, and based on considerations of the prospect of estimated future taxable income, the Company has determined that the corresponding amounts is recoverable and has not recognized a valuation allowance.

12. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., lump-sum payment plans, defined contribution pension plans and advance payment schemes for retirement benefits. In addition to the retirement benefit plans described above, the Company and its domestic subsidiaries pay additional retirement benefits under certain conditions. Certain consolidated overseas subsidiaries also have defined benefit pension plans and defined contribution pension plans.

As permitted under the accounting standard for retirement benefits, certain domestic consolidated subsidiaries calculate their retirement benefit obligation for their employees by the simplified method.

The changes in the retirement benefit obligation for the fiscal years ended March 31, 2020 and 2019 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Balance at the beginning of the year	¥14,018	¥13,699	\$128,836
Service cost	772	719	7,099
Interest cost	57	54	530
Actuarial differences	30	66	277
Retirement benefits paid	(787)	(636)	(7,233)
Prior service cost	(523)	30	(4,815)
Other	(31)	84	(288)
Balance at the end of the year	¥13,536	¥14,018	\$124,406

The changes in plan assets for the fiscal years ended March 31, 2020 and 2019 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Balance at the beginning of the year	¥1,500	¥1,410	\$13,791
Expected return on plan assets	22	27	206
Actuarial differences	(106)	40	(980)
Contributions by the Group	105	108	966
Retirement benefit paid	(67)	(53)	(619)
Other	(23)	(33)	(218)
Balance at the end of the year	¥1,430	¥1,500	\$13,145

The changes in the liability for retirement benefits calculated by the simplified method for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Balance at the beginning of the year	¥1,354	¥1,332	\$12,445
Retirement benefit expenses	197	144	1,814
Retirement benefits paid	(95)	(92)	(881)
Contributions to the plans	(32)	(30)	(296)
Other	(1)	—	(0)
Balance at the end of the year	¥1,423	¥1,354	\$13,082

A reconciliation of the ending balance of retirement benefit obligation and plan assets and liability for retirement benefits recorded in the consolidated balance sheets at March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Funded retirement benefit obligation	¥ 2,019	¥ 2,068	\$ 18,557
Plan assets at fair value	(1,790)	(1,840)	(16,452)
	229	228	2,105
Unfunded retirement benefit obligation	13,300	13,644	122,238
Net liability for retirement benefits in the balance sheet	13,529	13,872	124,343
Liability for retirement benefit obligation	13,529	13,872	124,343
Net liability for retirement benefits in the balance sheet	¥13,529	¥13,872	\$124,343

The above table includes retirement benefit obligations calculated by the simplified method.

The components of retirement benefit expenses for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
Service cost	¥772	¥719	\$7,099
Interest cost	57	54	530
Expected return on plan assets	(22)	(27)	(206)
Amortization of unrecognized actuarial differences	328	218	3,019
Amortization of unrecognized prior service cost	(523)	(7)	(4,815)
Retirement benefit expense calculated by the simplified method	197	144	1,814
Other	7	47	72
Retirement benefit expenses	¥817	¥1,149	\$7,515

The amount of amortization of unrecognized prior service cost in the table above was mainly due to the revision to the retirement benefit plan of the retirement allowance system of the Company, and ¥533 million (\$4,904 thousand) was recorded as gain on revision to the retirement benefit plan in extraordinary income in the consolidated statement of income for the fiscal year ended March 31, 2020.

Retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial differences	¥191	¥195	\$1,760

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥933	¥1,125	\$8,583

The composition of plan assets by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 is as follows:

	2020	2019
Debt securities	13%	13%
Equity securities	8%	8%
General accounts at life insurance companies	34%	32%
Other	45%	47%
Total	100%	100%

The assumptions used in accounting for the defined benefit pension plans for the fiscal years ended March 31, 2020 and 2019 were as follows:

	2020	2019
Discount rates	Principally 0.10%	Principally 0.10%
Expected rate of return on plan assets	Principally 2.0%	Principally 2.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and expected rate of return from multiple plan assets at present and in the future.

Total contributions required to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to ¥1,164 million (\$10,702 thousand) and ¥1,122 million for the fiscal years ended March 31, 2020 and 2019, respectively.

13. CONTINGENT LIABILITIES

At March 31, 2020 and 2019, the Company and its consolidated subsidiaries were contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Notes receivable discounted	¥ 15	¥ 30	\$ 137
Electronically recorded monetary claims discounted	7	13	72
Guarantees of loans made by employees	16	21	151
Guarantees of loans made by an unconsolidated subsidiaries	364	382	3,345

14. NET UNREALIZED LOSS ON LAND REVALUATION

Effective March 31, 2001, the Company revalued its land held for business use in accordance with the "Law on Land Revaluation." and based on the fair value as of March 31, 2002, differences on land revaluation have been accounted for as "Net unrealized loss on land revaluation" in the amount of ¥10,614 million (\$97,549 thousand) under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluation was in accordance with the "Enforcement Act Concerning Land Revaluation." The carrying value of this land exceeded its corresponding fair value by ¥9,500 million (\$87,308 thousand) and ¥11,000 million at March 31, 2020 and 2019, respectively.

15. SHAREHOLDERS' EQUITY

The act provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The Company's legal reserve amounted to ¥3,376 million (\$31,034 thousand) at March 31, 2020 and 2019.

Movements in issued shares of common stock and treasury stock during the fiscal years ended March 31, 2020 and 2019 are summarized as follows:

	Number of shares			2020 March 31, 2020
	April 1, 2019	Increase	Decrease	
Issued shares of common stock	38,281,393	—	—	38,281,393
Treasury stock	431,255	841,715	190	1,272,780

Increase in the number of shares of treasury stock was due to purchases of treasury stock of 840 thousand units and purchases of fractional shares of less than one unit 715. Decrease in the number of shares of treasury stock was due to sales of fractional shares of less than one unit 190.

	Number of shares			2019 March 31, 2019
	April 1, 2018	Increase	Decrease	
Issued shares of common stock	191,406,969	—	153,125,576	38,281,393
Treasury stock	2,139,235	9,064	1,717,044	431,255

Shares of the Company's common stock were consolidated on a one-for-five basis on October 1, 2018 based on the number of shares owned by shareholders who were registered in the final register of shareholders as of September 30, 2018 (effectively September 28, 2018.) Total number of authorized shares after the share consolidation is 59,800,000 shares (299,000,000 shares before the share consolidation).

Decrease in the number of issued shares was due to the share consolidation. Total number of issued shares after the share consolidation is 38,281,393 shares (191,406,969 shares before the share consolidation).

Increase in the number of shares of treasury stock was due to purchases of fractional shares of less than one unit. Decrease in the number of shares of treasury stock was due to the share consolidation 1,716,909 and sales of fractional shares of less than one unit 135.

16. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Reversal of and provision for loss on construction contracts included in cost of sales for the fiscal years ended March 31, 2020 and 2019 amounted to ¥144 million (\$1,324 thousand) and ¥54 million, respectively.

17. LOSS ON VALUATION OF INVENTORIES

Inventories at the end of the period are the amounts after writing down the book value due to any decline in profitability, and such write-down (reversal of write-down) during the fiscal years ended March 31, 2020 and 2019 amounted to (¥61 million (\$565 thousand)) and ¥38 million, respectively, which were included in cost of sales.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major items of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Salary and allowance	¥14,831	¥14,249	\$136,302
Provision of bonus reserve	¥ 1,314	¥ 1,539	\$ 12,076
Retirement benefit expenses	¥ 800	¥ 751	\$ 7,359
Provision for directors' retirement benefits	¥ 20	¥ 25	\$ 185
Shipping cost	¥ 5,070	¥ 5,350	\$ 46,603
Depreciation	¥ 1,969	¥ 1,912	\$ 18,097
Provision of allowance for doubtful accounts	¥ 403	¥ 31	\$ 3,708

19. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in manufacturing costs, and selling, general and administrative expenses for the fiscal years ended March 31, 2020 and 2019 amounted to ¥4,714 million (\$43,323 thousand) and ¥4,505 million, respectively.

20. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the year ended March 31, 2019, an overseas consolidated subsidiary wrote down the following fixed assets to their respective recoverable values considering the current business environment in China and future business forecasts, such as low profit margins on its chains business. Loss on impairment of fixed assets was recognized in the amount of ¥69 million. Assets are grouped principally by each business or each business location.

Location	Use	Classification	Millions of yen	
			2019	
Tianjin city, People's Republic of China	Chain production equipment and other	Buildings and structures	¥ 0	
		Machinery, equipment and vehicles	38	
		Tools, furniture and fixtures	31	
			¥69	

The recoverable value of the fixed assets was measured at net realizable value mainly using the net selling prices. If a fixed asset cannot be sold or diverted to other usage, such asset is valued at zero.

As for goodwill and trademark rights recorded at the time of acquisition of Central Conveyor Company, LLC, a consolidated subsidiary in the United States, the plan was revised because the actual result was under the original budget at the time of acquisition due to the changes in the market structure. As a result, since the estimated fair value of goodwill and trademark rights was less than its book value, the book value of goodwill and trademark rights was reduced to the recoverable value.

The recoverable value is mainly measured by value in use, which is calculated by discounting future cash flows at a rate of 15.5%.

Location	Use	Classification	Millions of yen	
			2019	
Michigan, United States of America	Other	Goodwill	¥1,924	
		Trademark rights	199	
			¥2,123	

As for goodwill and trademark rights recorded at the time of acquisition of Central Conveyor Company, LLC, a consolidated subsidiary in the United States, the plan was revised because the actual result was under the original budget at the time of acquisition due to the changes in the market structure. As a result, since the estimated fair value of goodwill and trademark rights was less than its book value, the book value of goodwill and trademark rights was reduced to the recoverable value.

The recoverable value is mainly measured by value in use, which is calculated by discounting future cash flows at a rate of 15%.

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
			2020	2020
Michigan, United States of America	Other	Goodwill	¥364	\$3,353
		Trademark rights	54	499
			¥419	\$3,852

21. OTHER COMPREHENSIVE LOSS

Reclassification adjustments and tax effects on components of other comprehensive loss for the fiscal years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2019
Net unrealized holding loss on securities:		2020
Amount arising during the year	¥(1,892)	\$(17,396)
Reclassification adjustments	59	543
Before tax effect	(1,833)	(16,853)
Tax effect	561	5,158
Net unrealized holding loss on securities	(1,272)	(11,694)
Net unrealized deferred gain (loss) on derivative instruments:		
Amount arising during the year	42	386
Reclassification adjustments	—	—
Before tax effect	42	386
Tax effect	(12)	(117)
Net unrealized deferred gain (loss) on derivative instruments	29	268
Translation adjustments:		
Amount arising during the year	(2,142)	(19,691)
Reclassification adjustments	—	—
Translation adjustments	(2,142)	(19,691)
Retirement benefits liability adjustments:		
Amount arising during the year	(10)	(93)
Reclassification adjustments	201	1,854
Before tax effect	191	1,760
Tax effect	(58)	(538)
Retirement benefits liability adjustments	132	1,221
Share of other comprehensive loss of an affiliate accounted for by the equity method:		
Amount arising during the year	(9)	(89)
Reclassification adjustments	—	—
Share of other comprehensive loss of an affiliate accounted for by the equity method	(9)	(89)
Other comprehensive loss, net	¥(3,262)	\$(29,985)

22. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Reconciliations of cash and deposits shown in the consolidated balance sheets at March 31, 2020 and 2019 and cash and cash equivalents shown in the consolidated statements of cash flows for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2019
Cash and deposits	¥29,019	\$266,697
Time deposits with maturities exceeding three months	(1,605)	(14,758)
Short-term investments	3,965	36,441
Cash and cash equivalents	¥31,378	\$288,379

(2) For the year ended March 31, 2019, assets acquired and liabilities assumed of Central Conveyor Company, LLC as of the deemed acquisition date, acquisition cost and expenditure for acquisition of newly consolidated subsidiary are summarized as follows:

	Millions of yen
Current assets	¥ 7,123
Fixed assets	8,725
Goodwill	5,642
Current liabilities	(5,718)
Long-term liabilities	(276)
Translation adjustments	(9)
Acquisition cost	15,486
Cash and cash equivalents	(29)
Payment for acquisition of capital of subsidiary resulting in change in scope of consolidation	¥15,457

There were no applicable items for the fiscal year ended March 31, 2020.

23. LEASES

Future minimum lease payments subsequent to March 31, 2020 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥146	\$1,342
2022 and thereafter	296	2,726
	¥442	\$4,069

24. DERIVATIVES AND HEDGING ACTIVITIES

(1) Derivative transactions to which hedge accounting is not applied

(a) Currency related

The notional amounts of forward foreign exchange contracts to which hedge accounting has not been applied, the estimated fair value of the outstanding derivatives positions and unrealized gain (loss) at March 31, 2020 and 2019 are summarized as follows:

Classification	Transactions	Millions of yen					
		2020			2019		
		Notional amount	Estimated fair value*	Unrealized gain (loss)	Notional amount	Estimated fair value*	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:						
	Sell:						
	U.S. dollars	¥1,713	¥(22)	¥(22)	¥2,424	¥ (2)	¥ (2)
	Euros	1,246	1	1	1,251	44	44
	Chinese yuan	3,401	6	6	1,144	(31)	(31)
	Canadian dollars	102	5	5	135	2	2
	Australian dollars	103	9	9	121	1	1
	Buy:						
	Yen	914	(17)	(17)	675	7	7
	U.S. dollars	—	—	—	10	(0)	(0)
	Total	¥7,481	¥(16)	¥(16)	¥5,763	¥ 22	¥ 22

Classification	Transactions	Thousands of U.S. dollars		
		2020		
		Notional amount	Estimated fair value*	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Sell:			
	U.S. dollars	\$15,749	\$(203)	\$(203)
	Euros	11,453	13	13
	Chinese yuan	31,260	55	55
	Canadian dollars	939	52	52
	Australian dollars	950	88	88
	Buy:			
	Yen	8,402	(157)	(157)
	U.S. dollars	—	—	—
	Total	\$68,754	\$(151)	\$(151)

* Estimated fair value is determined mainly based on the prices quoted by financial institutions.

(b) Interest-rate related

There were no interest-rate related derivative transactions to which hedge accounting is not applied for the fiscal years ended March 31, 2020 and 2019.

(2) Derivative transactions to which hedge accounting is applied**(a) Currency related**

The notional amounts of forward foreign exchange contracts to which hedge accounting has been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2020 and 2019 are summarized as follows:

Method of hedge accounting	Transactions	Hedged items	2020			2019		
			Notional amount	Due after one year	Estimated fair value* ²	Notional amount	Due after one year	Estimated fair value* ²
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:							
	Sell:							
	U.S. dollars	Accounts receivable	¥1,891	¥—	¥(2)	¥2,316	¥—	¥(11)
	Euros	(Forecasted transactions)	1,126	—	14	1,293	—	8
	Chinese yuan		717	—	(0)	667	—	(11)
	Australian dollars		166	—	8	144	—	(1)
	Canadian dollars		140	—	4	137	—	(1)
	Thai baht	Accounts receivable—other (Forecasted transactions)	—	—	—	1,542	—	0
	Total		¥4,043	¥—	¥25	¥6,101	¥—	¥(16)
	Buy:							
	Sweden krona	Accounts payable (Forecasted transactions)	¥ —	¥—	¥—	¥ 12	¥—	¥ (0)
	U.S. dollars		10	—	0	—	—	—
	Total		¥ 10	¥—	¥ 0	¥ 12	¥—	¥ (0)

Method of hedge accounting	Transactions	Hedged items	Thousands of U.S. dollars		
			Notional amount	Due after one year	Estimated fair value* ²
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable	\$17,385	\$—	\$ (23)
	Euros	(Forecasted transactions)	10,354	—	133
	Chinese yuan		6,595	—	(4)
	Australian dollars		1,526	—	80
	Canadian dollars		1,294	—	44
	Thai baht	Accounts receivable—other (Forecasted transactions)	—	—	—
	Total		\$37,157	\$—	\$230
	Buy:				
	Swedish krona	Accounts payable (Forecasted transactions)	\$ —	\$—	\$—
	U.S. dollars		100	—	3
	Total		\$ 100	\$—	\$ 3

* Estimated fair value is determined mainly based on the prices quoted by financial institutions.

(b) Interest-rate and currency related

There were no currency swap contracts that include interest-rate swaps to which hedge accounting has been applied at March 31, 2019.

(c) Interest-rate related

The notional amounts of interest-rate swaps to which hedge accounting has been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2019 are summarized as follows:

Method of hedge accounting	Transactions	Hedged items	2020			2019		
			Notional amount	Due after one year	Estimated fair value	Notional amount	Due after one year	Estimated fair value
Special treatment for interest-rate swaps	Interest-rate swaps:							
	Fixed paid/fixed received*2	Straight bonds payable	¥—	¥—	*1	¥10,000	¥—	*1

Method of hedge accounting	Transactions	Hedged items	2020		
			Notional amount	Due after one year	Estimated fair value
Special treatment for interest-rate swaps	Interest-rate swaps:				
	Fixed paid/fixed received*2	Straight bonds payable	\$—	\$—	*1

*1 Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying bonds (refer to Note 2 (e)), their fair value is included in that of the bonds disclosed in Note 6 "Financial Instruments."

*2 These derivative transactions are used to hedge the fluctuation risk of interest rates during the transaction period until interest rate on the straight bond payable is determined.

25. AMOUNTS PER SHARE

Amounts per share at March 31, 2020 and 2019 and for the years then ended are as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets	¥4,711.34	¥4,590.06	\$43.30
Profit attributable to owners of parent	308.71	364.03	2.84
Cash dividends	120.00	25.00	11.03

The amounts per share of net assets are computed based on the number of shares of common stock outstanding at each year end.

Profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2020 and 2019 has not been presented because no potentially dilutive shares of common stock were outstanding.

Information used in the calculation of profit attributable to owners of parent per share is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit attributable to owners of parent	¥11,576	¥13,779	\$106,392
Profit attributable to owners of parent not available for distribution to shareholders of common stock	—	—	—
Profit attributable to owners of parent on which profit attributable to owners of parent per share is calculated	¥11,576	¥13,779	\$106,392

	Thousands of shares	
	2020	2019
Weighted-average number of shares of common stock on which profit attributable to owners of parent per share is calculated	37,499	37,851

Shares of the Company's common stock were consolidated on a one-for-five basis on October 1, 2018. Weighted-average number of shares of common stock on which profit attributable to owners of parent per share is calculated is estimated assuming that the share consolidation was completed on April 1, 2018.

26. SEGMENT INFORMATION

(1) Outline of reportable segment information

The reportable segments of the Company are components for which obtaining separate financial information is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to the reportable segments. The Company classifies its business segments based on products and services. Each business segment determines comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area. The reportable segments that comprise the Company's operations are: Chains, Power Transmission Units and Components, Automotive Parts and Materials Handling Systems.

(2) Calculation methods used for sales, operating income or loss, assets and other items of each reportable segment

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 2. Intersegment sales are recorded at the same price used in transactions with third parties.

(3) Information on sales, operating income or loss, assets and other items of each reportable segment

Information by reportable segment for the fiscal years ended March 31, 2020 and 2019 is as follows:

	Reportable Segments							Adjustments and eliminations*2		Consolidated
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1	Total			
Sales, operating income and assets:										
Sales to third parties	¥65,571	¥23,269	¥70,949	¥63,860	¥223,650	¥2,772	¥226,423	¥	—	¥226,423
Intersegment sales and transfers	1,955	543	—	352	2,851	770	3,622		(3,622)	—
Total	¥67,526	¥23,813	¥70,949	¥64,212	¥226,502	¥3,542	¥230,045	¥	(3,622)	¥226,423
Segment profit (Operating income)	¥ 8,406	¥ 2,189	¥ 5,791	¥ 647	¥ 17,034	¥ 20	¥ 17,055	¥	(909)	¥ 16,146
Segment assets	74,541	30,560	97,777	55,782	258,663	3,099	261,763		32,335	294,098
Other items:										
Depreciation and amortization	¥ 2,984	¥ 1,036	¥ 6,975	¥ 1,719	¥ 12,715	¥ 23	¥ 12,739	¥	—	¥ 12,739
Investments in an affiliate accounted for by the equity method	—	—	—	329	329	—	329		—	329
Increase in property, plant and equipment and intangible assets	3,220	1,244	8,535	1,371	14,372	16	14,388		—	14,388

Millions of yen

2020

Millions of yen
2019

	Reportable Segments						Total	Adjustments and eliminations*2	Consolidated
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1			
Sales, operating income and assets:									
Sales to third parties	¥70,259	¥25,077	¥78,992	¥61,354	¥235,683	¥2,831	¥238,515	¥ —	¥238,515
Intersegment sales and transfers	1,763	513	—	473	2,751	717	3,469	(3,469)	—
Total	¥72,023	¥25,591	¥78,992	¥61,827	¥238,435	¥3,548	¥241,984	¥ (3,469)	¥238,515
Segment profit (loss) (Operating income (loss))	¥10,292	¥ 3,340	¥ 8,734	¥ 402	¥ 22,769	¥ (43)	¥ 22,726	¥ (936)	¥ 21,789
Segment assets	75,491	31,795	92,260	61,161	260,707	3,238	263,946	41,969	305,916
Other items:									
Depreciation and amortization	¥ 2,784	¥ 1,056	¥ 6,667	¥ 1,838	¥ 12,347	¥ 18	¥ 12,366	¥ —	¥ 12,366
Investments in an affiliate accounted for by the equity method	—	—	—	324	324	—	324	—	324
Increase in property, plant and equipment and intangible assets	2,789	857	10,743	15,707	30,097	24	30,122	—	30,122

Thousands of U.S. dollars

2020

	Reportable Segments						Total	Adjustments and eliminations*2	Consolidated
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1			
Sales, operating income and assets:									
Sales to third parties	\$602,621	\$213,857	\$652,051	\$586,896	\$2,055,425	\$25,477	\$2,080,903	\$ —	\$2,080,903
Intersegment sales and transfers	17,973	4,997	—	3,237	26,208	7,080	33,289	(33,289)	—
Total	\$620,594	\$218,854	\$652,051	\$590,134	\$2,081,634	\$32,558	\$2,114,192	\$(33,289)	\$2,080,903
Segment profit (Operating income)	\$ 77,258	\$ 20,124	\$ 53,223	\$ 5,946	\$ 156,554	\$ 192	\$ 156,746	\$ (8,354)	\$ 148,391
Segment assets	685,062	280,865	898,611	512,661	2,377,200	28,489	2,405,690	297,175	2,702,866
Other items:									
Depreciation and amortization	\$ 27,426	\$ 9,527	\$ 64,106	\$ 15,801	\$ 116,861	\$ 220	\$ 117,081	\$ —	\$ 117,081
Investments in an affiliate accounted for by the equity method	—	—	—	3,030	3,030	—	3,030	—	3,030
Increase in property, plant and equipment and intangible assets	29,597	11,438	78,433	12,608	132,088	148	132,236	—	132,236

*1 The "Other" segment consists of business segments not classified into the aforementioned four reporting segments, including building maintenance business, insurance agency business and others.

*2 (1) The adjustments and eliminations of segment profit or loss of ¥909 million (\$8,354 thousand) include the following: ¥94 million (\$866 thousand) of intersegment profit eliminations and ¥1,003 million (\$9,221 thousand) of corporate expenses, which are not allocable to the reportable segments.

(2) The adjustments and eliminations of segment assets of ¥32,335 million (\$297,175 thousand) include the following: ¥903 million (\$8,300 thousand) of intersegment transaction eliminations and ¥33,238 million (\$305,476 thousand) of corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly cash and cash equivalents and investments in securities.

*3 (1) The adjustments and eliminations of segment profit of ¥936 million include the following: ¥50 million of intersegment profit eliminations and ¥987 million of corporate expenses, which are not allocable to the reportable segments.

(2) The adjustments and eliminations of segment assets of ¥41,969 million include the following: ¥1,085 million of intersegment transaction eliminations and ¥43,055 million of corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly cash and cash equivalents and investments in securities.

(4) Geographical information

Sales to third parties by country or geographical area for the fiscal years ended March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 96,526	¥ 96,812	\$ 887,113
U.S.A.	52,356	54,418	481,174
Europe	24,969	27,074	229,481
Indian-Ocean Rim	16,343	16,924	150,204
China	17,341	20,649	159,378
Korea and Taiwan	9,179	10,350	84,362
Other	9,704	12,285	89,189
Total	¥226,423	¥238,515	\$2,080,903

Property, plant and equipment by country or geographical area at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 77,473	¥ 75,138	\$ 712,007
U.S.A.	17,391	17,787	159,831
Europe	5,588	5,593	51,361
Indian-Ocean Rim	4,032	3,938	37,063
China	8,283	8,539	76,126
Korea and Taiwan	4,158	4,271	38,215
Other	1,651	1,677	15,177
Total	¥118,579	¥116,946	\$1,089,783

The information by major customer for the fiscal years ended March 31, 2020 and 2019 is summarized as follows:

Customer	Related segment	Millions of yen		Thousands of U.S. dollars
		2020	2019	2020
Tsubakimoto Kogyo Co., Ltd.	Chains, Power Transmission Units and Components, Auto-motive Parts, Materials Handling Systems	¥26,273	¥27,506	\$241,461

(5) Impairment loss on fixed assets per reportable segments

	Millions of yen						
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	¥—	¥—	¥—	¥ 419	¥—	¥—	¥ 419

	Millions of yen						
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	¥69	¥—	¥—	¥2,123	¥—	¥—	¥2,193

	Thousands of U.S. dollars						
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Impairment loss	\$—	\$—	\$—	\$3,852	\$—	\$—	\$3,852

(6) Information on amortization of goodwill per reportable segments and the balances as of and for the fiscal years ended March 31, 2020 and 2019

							Millions of yen
							2020
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥27	¥—	¥—	¥ 153	¥—	¥—	¥ 181
Balance at March 31, 2020	13	—	—	2,759	—	—	2,773
							Millions of yen
							2019
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥40	¥42	¥—	¥ 395	¥—	¥—	¥ 478
Balance at March 31, 2019	42	—	—	3,344	—	—	3,387
							Thousands of U.S. dollars
							2020
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	\$251	\$—	\$—	\$ 1,412	\$—	\$—	\$ 1,663
Balance at March 31, 2020	126	—	—	25,364	—	—	25,490

27. SUBSEQUENT EVENTS

Distribution of retained earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements as of March 31, 2020, was approved at the General Meeting of Shareholders held on June 26, 2020:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥60.0 (\$0.55) per share)	¥2,220	\$20,407

Introduction of restricted stock remuneration plan and revision of director remuneration

At the Board of Directors meeting held on May 27, 2020, the Company decided to revise the executive remuneration plan, revise the remuneration amount for directors, and introduce a transfer-restricted stock remuneration plan (hereinafter referred to as the “Plan”), and submitted the proposal for approval to the 111th Ordinary General Meeting of Shareholders (hereinafter referred to as the “General Meeting of Shareholders”) held on June 26, 2020.

(1) Reason for introducing the plan

The Plan provides incentives to the Company’s directors (excluding outside directors; hereinafter referred to as the “eligible directors”) to continuously improve the corporate value of the Company with the aim of further promoting value sharing with shareholders.

(2) Overview of the Plan

The eligible directors will pay all the monetary remuneration receivables granted by the Company under the Plan as in-kind contribution assets and will be issued or receive the Company’s common stock.

The total amount of monetary remuneration receivables to be granted to the eligible directors under the Plan shall be ¥60 million (\$551 thousand) or less per year (however, the employee salaries of directors who also concurrently serve as employees are not included). The specific timing of payment and allocation to each target director will be decided by the Board of Directors.

Under the Plan, the total number of common stock to be newly issued or disposed by the Company will be 20,000 shares or less per year (provided that the stock split (including an allotment of the Company’s common stock without contribution) or stock consolidation of the Company’s common stock with the effective date on or after the date of the resolution of the General Meeting of Shareholders, the total number shall be adjusted within a reasonable range as necessary in accordance with the stock split/ consolidation ratio etc.

The amount to be paid per share will be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before the date of resolution by the Board of Directors (if no trade is closed on the same day, the latest price prior to that) to the extent that it does not result in an overly advantageous amount for the eligible directors to subscribe for the common stock.

In addition, before issuing or disposing of the Company's common stock under the Plan (hereinafter referred to as the "Shares"), the Company and the eligible directors are required

to enter into the agreement on allotment of restricted stock which includes the following contents: (1) prohibition of sale of the Shares to a third party, setting as collateral and any other disposition during a designated period (hereinafter referred to as "transfer restriction period"); and (2) right of acquisition of the Shares by the Company at no cost under certain circumstances.

The Shares will be managed in a dedicated account at Nomura Securities Co., Ltd. during the transfer restriction period so that the shares cannot be sold, set as collateral or disposed in any other way during the transfer restriction period.

Disposal of treasury stock as restricted stock compensation

At the Board of Directors meeting held on June 26, 2020, the Company resolved to dispose of treasury stock as restricted stock compensation.

(1) Disposal summary

(1) Disposal date	July 22, 2020
(2) Type and number of shares	Common stock of the Company: 7,434 shares
(3) Disposal price	¥2,638 (\$24) per share
(4) Total amount of disposal	¥19,610,892 (\$180,230)
(5) Number of recipients, and number of shares disposed	Five directors (excluding outside directors) 7,434 shares
(6) Others	Regarding this disposal of treasury stock, the Company has submitted a securities notice under the Financial Instruments and Exchange Act.

(2) Purpose of disposal

Please refer to the description in the Section "Introduction of restricted stock remuneration plan and revision of director remuneration" as described above.

Independent Auditor's Report



Independent Auditor's Report

The Board of Directors
TSUBAKIMOTO CHAIN CO.

Opinion

We have audited the accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. 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.

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

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

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

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.

Ernst & Young ShinNihon LLC
Osaka, Japan
June 29, 2020

林 由佳 
Yuka Hayashi
Designated Engagement Partner
Certified Public Accountant

柴田 芳宏 
Yoshihiro Shibata
Designated Engagement Partner
Certified Public Accountant

