

KYODO PRINTING CO., LTD.
and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended March 31, 2020 and 2019

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2020 and 2019

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
CURRENT ASSETS:			
Cash and cash equivalents (Notes 6 and 15)	¥ 13,070	¥ 10,432	\$ 120,095
Receivables (Note 15):			
Trade notes (Note 5)	5,765	6,685	52,972
Trade accounts	21,536	21,717	197,886
Allowance for doubtful accounts	(59)	(64)	(542)
Short-term investments (Notes 8 and 15)	63	329	578
Inventories (Note 7)	8,327	7,367	76,513
Prepaid expenses and other current assets	634	1,391	5,825
	<u>49,339</u>	<u>47,859</u>	<u>453,358</u>
PROPERTY, PLANT AND EQUIPMENT			
Land	14,832	14,579	136,285
Buildings and structures	50,972	51,902	468,363
Machinery and vehicles	49,909	49,315	458,595
Furniture and fixtures	7,055	6,953	64,825
Lease assets (Notes 6 and 14)	3,084	3,471	28,337
Construction in progress	3,162	1,709	29,054
Total	<u>129,016</u>	<u>127,931</u>	<u>1,185,481</u>
Accumulated depreciation	<u>(73,322)</u>	<u>(74,652)</u>	<u>(673,729)</u>
Net property, plant and equipment	<u>55,693</u>	<u>53,279</u>	<u>511,743</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 8 and 15)	13,657	18,854	125,489
Investments in subsidiaries and associated companies	83	137	762
Goodwill	2,003	1,248	18,404
Intangible assets	1,429	1,195	13,130
Long-term loans receivable	26	35	238
Asset for retirement benefits (Note 10)	808	1,108	7,424
Deferred tax assets (Note 13)	482	481	4,428
Other long-term assets	1,158	1,240	10,640
Allowance for doubtful accounts	<u>(48)</u>	<u>(49)</u>	<u>(441)</u>
Total investments and other assets	<u>19,601</u>	<u>24,251</u>	<u>180,106</u>
TOTAL	<u>¥ 124,634</u>	<u>¥ 125,390</u>	<u>\$ 1,145,217</u>

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2020 and 2019

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 9 and 15)	¥ 506	¥ 5,553	\$ 4,649
Payables (Note 15):			
Trade notes (Note 5)	8,008	8,145	73,582
Trade accounts	10,040	9,791	92,253
Income taxes payable	722	151	6,634
Accrued bonuses	1,312	1,201	12,055
Other current liabilities	9,787	10,321	89,929
Total current liabilities	30,378	35,163	279,132
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 15)	24,127	16,353	221,694
Liability for retirement benefits (Note 10)	6,573	6,382	60,396
Provision for environmental measures	595	16	5,467
Provision for dismantling of non-current assets	545	1,970	5,007
Deferred tax liabilities (Note 13)	553	1,761	5,081
Other long-term liabilities	2,094	357	19,241
Total long-term liabilities	34,491	26,842	316,925
EQUITY (Notes 11 and 18):			
Common stock—authorized, 36,080,000 shares as of March 31, 2020 and 2019; issued, 9,020,000 shares as of March 31, 2020 and 2019	4,510	4,510	41,440
Capital surplus	1,766	1,765	16,227
Retained earnings	49,477	48,832	454,626
Treasury stock—at cost, 434,985 shares as of March 31, 2020 and 298,748 shares as of March 31, 2019	(1,088)	(726)	(9,997)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	5,729	9,365	52,641
Foreign currency translation adjustments	(7)	(155)	(64)
Remeasurement of defined benefit plans	(725)	(213)	(6,661)
Total	59,661	63,378	548,203
Non-controlling interests	103	6	946
Total equity	59,764	63,384	549,150
TOTAL	¥ 124,634	¥ 125,390	\$ 1,145,217

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET SALES (Note 20)	¥ 100,858	¥ 97,782	\$ 926,748
COST OF SALES (Note 2.p)	83,215	81,165	764,632
Gross profit	17,642	16,616	162,106
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 2.p, 10 and 20):			
Delivery expenses	4,511	4,658	41,449
Travel and communication expenses	381	411	3,500
Provision of allowance for doubtful accounts	(0)	(10)	(0)
Salaries and allowances	5,631	5,347	51,741
Provision for employees' bonuses	420	366	3,859
Provision for directors' bonuses	53	32	486
Provision for share-based remuneration for directors	9	-	82
Retirement benefit expenses	425	418	3,905
Employee benefits	1,348	1,278	12,386
Depreciation	416	409	3,822
Other	2,874	2,678	26,408
Total selling, general and administrative expenses	16,073	15,589	147,689
Operating income (Note 20)	1,569	1,027	14,416
OTHER INCOME (EXPENSES):			
Interest and dividend income	343	330	3,151
Interest expenses	(159)	(124)	(1,460)
Gain on sales of goods	246	257	2,260
Rent income (expenses) on facilities	43	111	395
Dividend income of insurance	165	181	1,516
Gain (loss) on sales and retirement of non-current assets (Note 12)	(482)	(789)	(4,428)
Gain on sales of investment securities	1,564	1,022	14,371
Head office relocation expenses	(1)	(142)	(9)
Reversal of provision for dismantling of non-current assets	614	-	5,641
Provision for environmental measures	(628)	-	(5,770)
Other—net	(231)	(147)	(2,122)
Other income—net	1,475	698	13,553
INCOME BEFORE INCOME TAXES	3,045	1,725	27,979
INCOME TAXES (Note 13):			
Current	952	685	8,747
Deferred	506	16	4,649
Total income taxes	1,459	702	13,406
NET INCOME	1,585	1,023	14,563
NET INCOME (LOSS) ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	76	(81)	698
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 1,509	¥ 1,105	\$ 13,865

	Yen		U.S. Dollars	
	2020	2019	2020	
PER SHARE OF COMMON STOCK (Notes 2.s and 11):				
Basic net income (*1)	¥ 175.22	¥ 126.01	\$	1.61
Diluted net income (*2)	-	111.47		-
Cash dividends applicable to the year (*3 and *4)	100.00	100.00		0.91

Notes:

(*1) The Company's shares owned by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property of Board Benefit Trust ("BBT") are included in treasury stock which is deducted from the calculation of the weighted-average number of shares during the year, in order to calculate basic net income per share. The weighted-average number of shares during the year which was deducted from the calculation of basic net income per share was 57,000 shares.

(*2) Diluted net income per share for the year ended March 31, 2020 is not presented since potential shares do not exist as of March 31, 2020, because bonds with subscription rights to shares in an amount of ¥5,000 million (\$45,943 thousand) were fully redeemed on December 12, 2019.

(*3) Cash dividends applicable to the year ended March 31, 2020 includes dividends of ¥2 million (\$18 thousand) resolved at the meeting of the Board of Directors held on November 8, 2019 and the Company's shareholders meeting held on June 26, 2020, respectively, on the Company's common stock owned by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property of BBT.

(*4) Cash dividends applicable to the year ended March 31, 2019 includes dividends of ¥2 million resolved at the meeting of the Board of Directors held on November 7, 2018 and the Company's shareholders meeting held on June 27, 2019, respectively, on the Company's common stock owned by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property of BBT.

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income Years Ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET INCOME	¥ 1,585	¥ 1,023	\$ 14,563
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	(3,630)	(314)	(33,354)
Foreign currency translation adjustments	149	(232)	1,369
Remeasurement of defined benefit plans	(514)	(306)	(4,722)
Share of other comprehensive income (loss) in an associate accounted for using the equity method	(5)	0	(45)
Total other comprehensive income (loss)	(4,001)	(853)	(36,763)
COMPREHENSIVE INCOME (LOSS)	¥ (2,415)	¥ 170	\$ (22,190)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of parent	¥ (2,491)	¥ 254	\$ (22,888)
Non-controlling interests	75	(84)	689

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity Years Ended March 31, 2020 and 2019

	Number of Shares of		Millions of Yen				
	Common Stock Issued	Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 2018	9,020,000	242,141	¥ 4,510	¥ 1,728	¥ 48,607	¥ (549)	¥ 54,295
Net income attributable to owners of parent					1,105		1,105
Cash dividends, ¥100.00 per share					(881)		(881)
Purchase of treasury stock (Note 11)		113,607				(303)	(303)
Disposal of treasury stock (Note 11)		(57,000)		36	1	126	164
Change in ownership interest of parent due to transactions with non-controlling interests				0			0
Net change in the item other than those in shareholder's equity							
BALANCE, MARCH 31, 2019	<u>9,020,000</u>	<u>298,748</u>	<u>¥ 4,510</u>	<u>¥ 1,765</u>	<u>¥ 48,832</u>	<u>¥ (726)</u>	<u>¥ 54,381</u>
Net income attributable to owners of parent					1,509		1,509
Cash dividends, ¥100.00 per share					(871)		(871)
Purchase of treasury stock (Note 11)		136,237				(361)	(361)
Change in scope of equity method					6		6
Change in ownership interest of parent due to transactions with non-controlling interests				1			1
Net change in the item other than those in shareholder's equity							
BALANCE, MARCH 31, 2020	<u>9,020,000</u>	<u>434,985</u>	<u>¥ 4,510</u>	<u>¥ 1,766</u>	<u>¥ 49,477</u>	<u>¥ (1,088)</u>	<u>¥ 54,665</u>

	Millions of Yen					
	Accumulated Other Comprehensive Income			Total	Non-Controlling Interests	Total Equity
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans			
BALANCE, APRIL 1, 2018	¥ 9,679	¥ 76	¥ 92	¥ 9,847	¥ 73	¥ 64,217
Net income attributable to owners of parent						1,105
Cash dividends, ¥100.00 per share						(881)
Purchase of treasury stock (Note 11)						(303)
Disposal of treasury stock (Note 11)						164
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net change in the item other than those in shareholder's equity	(313)	(231)	(305)	(850)	(67)	(918)
BALANCE, MARCH 31, 2019	<u>¥ 9,365</u>	<u>¥ (155)</u>	<u>¥ (213)</u>	<u>¥ 8,997</u>	<u>¥ 6</u>	<u>¥ 63,384</u>
Net income attributable to owners of parent						1,509
Cash dividends, ¥100.00 per share						(871)
Purchase of treasury stock (Note 11)						(361)
Change in scope of equity method						6
Change in ownership interest of parent due to transactions with non-controlling interests						1
Net change in the item other than those in shareholder's equity	(3,636)	147	(512)	(4,001)	96	(3,904)
BALANCE, MARCH 31, 2020	<u>¥ 5,729</u>	<u>¥ (7)</u>	<u>¥ (725)</u>	<u>¥ 4,996</u>	<u>¥ 103</u>	<u>¥ 59,764</u>

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity Years Ended March 31, 2020 and 2019

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
BALANCE, APRIL 1, 2019	\$ 41,440	\$ 16,217	\$ 448,699	\$ (6,670)	\$ 499,687
Net income attributable to owners of parent			13,865		13,865
Cash dividends, \$0.91 per share			(8,003)		(8,003)
Purchase of treasury stock (Note 11)				(3,317)	(3,317)
Change in scope of equity method			55		55
Change in ownership interest of parent due to transactions with non-controlling interests		9			9
Net change in the item other than those in shareholder's equity					
BALANCE, MARCH 31, 2020	\$ 41,440	\$ 16,227	\$ 454,626	\$ (9,997)	\$ 502,297

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income					
	Unrealized Gain (Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Remeasurement of Defined Benefit Plans	Total	Non- Controlling Interests	Total Equity
BALANCE, APRIL 1, 2019	\$ 86,051	\$ (1,424)	\$ (1,957)	\$ 82,670	\$ 55	\$ 582,412
Net income attributable to owners of parent						13,865
Cash dividends, \$0.91 per share						(8,003)
Purchase of treasury stock (Note 11)						(3,317)
Change in scope of equity method						55
Change in ownership interest of parent due to transactions with non-controlling interests						9
Net change in items other than those in shareholders' equity	(33,409)	1,350	(4,704)	(36,763)	882	(35,872)
BALANCE, MARCH 31, 2020	\$ 52,641	\$ (64)	\$ (6,661)	\$ 45,906	\$ 946	\$ 549,150

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 3,045	¥ 1,725	\$ 27,979
Adjustments for:			
Income taxes—paid	(97)	(2,297)	(891)
Depreciation and amortization	5,388	5,028	49,508
(Gain) Loss on sales and retirement of non-current assets	482	786	4,428
(Gain) Loss on sales of investment securities	(1,564)	(1,022)	(14,371)
Amortization of goodwill	473	240	4,346
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	1,109	(1,103)	10,190
Increase (Decrease) in allowance for doubtful accounts	(6)	(11)	(55)
(Increase) Decrease in inventories	(771)	(353)	(7,084)
Increase (Decrease) in trade payables	106	(555)	973
Increase (Decrease) in liability for retirement benefits	(243)	(325)	(2,232)
Increase (Decrease) in accrued consumption tax	1,093	(52)	10,043
(Increase) Decrease in claims provable in bankruptcy, claims provable in rehabilitation	0	55	0
Increase (Decrease) in provision for dismantling of non-current assets	(1,424)	(29)	(13,084)
Increase (Decrease) in provision for environmental measures	579	(1)	5,320
Other—net	2,174	392	19,976
Total adjustments	7,301	750	67,086
Net cash provided by operating activities	10,346	2,476	95,065
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(8,578)	(10,098)	(78,820)
Purchases of intangible assets	(599)	(425)	(5,503)
Proceeds from sales of property, plant and equipment	118	846	1,084
Purchases of investment securities	(35)	(515)	(321)
Proceeds from sales of investment securities	1,565	1,376	14,380
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 6)	-	(698)	-
Payments for acquisition of businesses (Note 6)	(1,677)	-	(15,409)
Other—net	198	(509)	1,819
Net cash used in investing activities	(9,008)	(10,023)	(82,771)
FORWARD	¥ 1,337	¥ (7,546)	\$ 12,285

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
FORWARD	¥ 1,337	¥ (7,546)	\$ 12,285
FINANCING ACTIVITIES:			
Repayments of long-term debt	(5,591)	(570)	(51,373)
Proceeds from long-term debt	8,000	5,000	73,509
Dividends paid	(871)	(881)	(8,003)
Purchase of treasury stock	(361)	(138)	(3,317)
Other—net	22	2	202
Net cash provided by financing activities	1,197	3,411	10,998
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	95	(38)	872
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,630	(4,174)	24,166
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,432	14,606	95,855
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO NEW CONSOLIDATION	7	-	64
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 6)	¥ 13,070	¥ 10,432	\$ 120,095

See notes to consolidated financial statements.

KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2020 and 2019

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of KYODO PRINTING CO., LTD. (the “Company”) and its consolidated subsidiaries (together, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with 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”).

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange as of March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen except for per share data. U.S. dollar figures are translated from millions of yen and rounded down to the nearest thousand dollars except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2020, include the accounts of the Company and all its 19 (17 in 2019) subsidiaries.

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

Kyodo Blow Bottle Co., Ltd. (currently Kyodo Kureha Blow Bottle Co., Ltd.) has been newly included in the scope of consolidation from the year ended March 31, 2020 since it was newly established. Masukachi Inc., which was a non-consolidated subsidiary accounted for by the equity method, has been included in the scope of consolidation from the year ended March 31, 2020 due to increased materiality.

Investment in one (one in 2019) associated company is accounted for by the equity method for the year ended March 31, 2020.

Investment in the other associated company, which is not accounted for by the equity method, is stated at cost because its impact on the consolidated financial statements has been immaterial in terms of net income (amounts corresponding to equity) and retained earnings (amounts corresponding to equity), and due to its overall lack of significance.

BIONET LABORATORY Co., Ltd., which was a non-consolidated subsidiary accounted for by the equity method, has been excluded from the scope of the equity method in the year ended March 31, 2020 since the Company sold some of the shares it owned in the said company.

The fiscal closing date of the three consolidated foreign subsidiaries is December 31. The financial statements of the subsidiaries as of December 31, 2020 and 2019 and for the years then ended were used in preparing the accompanying consolidated financial statements, with adjustments made as necessary to account for significant transactions occurring during the period from their fiscal year-end to the consolidated balance sheet date.

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

b. Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, readily available deposits and short-term investments which are easily convertible into cash, are exposed to insignificant risk of changes in value and mature within three months of the date of acquisition.

c. Inventories—Merchandise and work in process inventories are stated at the lower of cost, principally determined by the specific identification method, or net selling value.

Raw materials and supplies are stated at the lower of cost, principally determined by the first-in, first-out method, or net selling value.

d. Marketable and Investment Securities—The Group classifies all investment securities as available-for-sale securities, and reports marketable securities at fair value based on quoted market prices at the balance sheet date, with unrealized gains and losses (net of applicable taxes) as a separate component of equity. The cost of securities sold is determined by the moving-average method.

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

e. Allowance for Doubtful Accounts—Allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience for normal receivables and an evaluation of potential losses in the receivables outstanding.

f. Property, Plant and Equipment (Except for Lease Assets)—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is computed by the straight-line method based on the estimated useful lives of the assets. The ranges of useful lives are principally 31 to 50 years for buildings and structures, and 4 to 10 years for machinery and vehicles.

g. Amortization of Goodwill—In accordance with the Japanese GAAP, goodwill is amortized over the period during which the influence of the goodwill shall apply. Accordingly, goodwill is amortized over a five year period on a straight-line basis.

h. Intangible Assets (Except for Lease Assets)—Intangible assets are amortized by the straight-line method over their estimated useful lives. Software for internal use is amortized by the straight-line method over five years.

i. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Leases—Leased assets under finance lease transactions in which ownership is transferred to the lessees are depreciated in the same method as the depreciation of property, plant and equipment of the Group. Leased assets under finance lease transactions that do not transfer ownership are depreciated over the lease term on a straight-line method assuming the residual value is zero (guaranteed residual value if there is such an agreement.).

k. Retirement and Pension Plans—The Group has defined benefit plans and defined contribution plans for employees' benefits.

In calculation of the projected benefit obligations, expected benefit is attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over eight years within the average remaining service period from the fiscal year following the respective fiscal year in which the gains or losses are recognized. Certain subsidiaries adopt a simplified method and regard payable amount assuming voluntary retirement of all employees at the end of fiscal year and the most recent actuarial obligation of pension plan finance calculation as projected benefit obligations.

l. Provision for Dismantling of Non-current Assets—Provision for dismantling of non-current assets is recorded at the estimated amount to provide for dismantling of non-current assets in the future in line with

the reconstruction of the head office building.

- m. Accrued Bonuses*—Bonuses to employees and directors are accrued at the year-end to which such bonuses are attributable.
- n. Provision for Share-based Remuneration for Directors*—Provision for share-based remuneration for directors is recorded at the estimated amount of obligations for share-based remuneration at the year-end to provide for the payment of the Company's stock to Directors, etc. based on the Rules for Payment of Share-based Remuneration for Directors.
- o. Provision for Environmental Measures*—Provision for environmental measures is recorded at the estimated amount required for implementing environmental measures (PCB, etc.) in the future.
- p. Research and Development Costs*—Research and development costs are charged to income as incurred. Research and development costs for the years ended March 31, 2020 and 2019 were ¥977 million (\$8,977 thousand) and ¥1,120 million, respectively.
- q. Income Taxes*—Provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- r. Derivatives and Hedging Activities*—The Group uses foreign currency forward contracts to manage its exposures to fluctuations in foreign currency exchange rates in accordance with its internal policies. These contracts are used for monetary receivables and payables denominated in foreign currencies. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are used to hedge changes in foreign currency exchange rates of transactions denominated in foreign currencies. Hedged items are identified on an individual basis. Monetary receivables and payables denominated in foreign currencies hedged by foreign currency forward contracts are accounted for using the allocation method. In principle, the value and maturity of the hedged items are matched with the contracted amount denominated in foreign currencies and the corresponding maturity pursuant to the Group's internal policies, etc. Accordingly, an assessment of hedge effectiveness at the end of the year is omitted since there is a complete correlation with subsequent fluctuations in foreign currency exchange rates.

Foreign currency forward contracts used for intercompany transactions as hedged items are measured at fair value and differences between carrying amount and fair value are charged to income.

- s. Per Share Information*—Basic net income per share is computed by dividing net income attributable to common shareholders of parent by the weighted-average number of common stock outstanding for the period.

The net income attributable to common shareholders of parent and weighted-average number of common stock used in the computation were ¥1,509 million (\$13,865 thousand) and 8,616 thousand shares for the year ended March 31, 2020 and ¥1,105 million and 8,771 thousand shares for the year ended March 31, 2019, respectively.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

3. NEW ACCOUNTING STANDARDS YET TO BE APPLIED

Accounting Standard for Revenue Recognition

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

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

(1) Overview

International Accounting Standards Board (“IASB”) and Financial Accounting Standards Board of the United States of America (“FASB”) jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS No. 15, issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has been applied from the fiscal year beginning on and after January 1, 2018 and Topic 606 from the fiscal year beginning after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ’s basic policy in developing the accounting standard for revenue recognition was to establish accounting standards to adopt basic principles of IFRS No. 15 as a starting point from the viewpoint of comparability of financial statements which is one of benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and others in Japan should be considered.

(2) Date of application

The Group expects to apply the standard and guidance from the beginning of the year ending March 31, 2022.

(3) Effect of application

The Group is currently assessing the effect of applying the “Accounting Standard for Revenue Recognition” and “Implementation Guidance on Accounting Standard for Revenue Recognition” on the consolidated financial statements.

Accounting Standard for Fair Value Measurement

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

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

(1) Overview

The IASB and the FASB have developed detailed guidance with practically the same contents for fair value measurement (IFRS No. 13 “Fair Value Measurement” under IFRS, and Accounting Standards Codification Topic 820 “Fair Value Measurement” under US GAAP, respectively). Given these circumstances, the ASBJ issued the “Accounting Standard for Fair Value Measurement,” etc. in order to ensure the consistency with international accounting standards with regard to the guidance and disclosures of fair value of financial instruments.

The fundamental policy for developing these accounting standards by the ASBJ was that these accounting standards would basically incorporate all provisions of IFRS No. 13 from the perspective of improving the domestic and international comparability of financial statements between companies, through the use of a unified calculation method. On the other hand, by taking into consideration the Japanese accounting practice, the ASBJ determined that separate accounting treatment for specific items would be adopted within a range that would not impair the comparability of financial statements.

(2) Date of application

The Group expects to apply the standard and guidance from the beginning of the year ending March 31, 2022.

(3) Effect of application

The Group is currently assessing the effect of applying the “Accounting Standard for Fair Value Measurement” and other standards and guidance on the consolidated financial statements.

4. ADDITIONAL INFORMATION

Board Benefit Trust

Based on a resolution at the 138th annual shareholders’ meeting held on June 28, 2018, the Company introduced a Board Benefit Trust (“BBT”) as a performance-linked stock compensation plan (the “Plan”) for directors and executive officers of the Company and directors with titles of certain subsidiaries (“Directors, etc.”).

The Company adopted the gross method as to the accounting treatment of the trust in line with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ Practical Issues Task Force No. 30, March 26, 2015).

(1) Overview of the transaction

Under the Plan, the Company will acquire the Company’s stock through a trust using the money entrusted by the Company. The Company’s stock and/or money equivalent to their fair conversion value will be delivered to Directors, etc. through the trust based on the attainment of performance targets and other indicators in accordance with the internal rules on stock distribution to officers established by the Company and certain subsidiaries. Directors, etc. are eligible to receive the Company’s stock, etc. in principle, when they retire.

(2) The remaining balance of the Company’s own stock in the trust

The Company records the balance of the Company’s stock remaining in the trust as treasury stock in the net assets section at the carrying amount (excluding the amount of ancillary expenses) in the trust. The carrying amount and the number of shares of such treasury stock as of March 31, 2020 and 2019 was ¥164 million (\$1,506 thousand) and 57,000 shares, respectively.

5. TRADE NOTES

Trade notes maturing at the end of the consolidated fiscal year are settled on their clearance dates. As the balance sheet date of the year ended March 31, 2019 was a bank holiday, the following amounts of trade notes matured on the balance sheet date were included in the balance of trade notes as of March 31, 2019:

	Millions of Yen	
	2020	2019
Trade notes receivable	¥ -	¥ 483
Trade notes payable	-	55
Other (notes payable – facilities)	-	2

6. SUPPLEMENTARY CASH FLOW INFORMATION

Components of Cash and Cash Equivalents

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

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Cash and time deposits	¥ 13,134	¥ 10,762	\$ 120,683
Time deposits exceeding three months to maturity	(63)	(329)	(578)
Cash and cash equivalents	<u>¥ 13,070</u>	<u>¥ 10,432</u>	<u>\$ 120,095</u>

Assets and Liabilities of a Newly Consolidated Subsidiary Due to Acquisition of its Shares

The Company newly consolidated Kyodo NCI Printing Co., Ltd. in the year ended March 31, 2019 due to acquisition of its shares. The assets transferred and liabilities assumed of Kyodo NCI Printing Co., Ltd. at the time of the start of consolidation, reconciliation of the acquisition cost and the net payment amount for the acquisition were as follows:

	Millions of Yen
Current assets	¥ 237
Non-current assets	25
Goodwill	683
Current liabilities	(17)
Long-term liabilities	(95)
Non-controlling interests	<u>(15)</u>
Acquisition cost of shares	818
Cash and cash equivalents	<u>(120)</u>
Payment for acquisition, net	<u>¥ 698</u>

Assets and Liabilities which Increased Due to Business Acquisition

The assets and liabilities which the Company succeeded through the absorption-type split of and acquisition of business from Kureha Corporation in the year ended March 31, 2020 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 186	\$ 1,709
Non-current assets	291	2,673
Goodwill	1,200	11,026
Payments for acquisition of businesses, net	<u>¥ 1,677</u>	<u>\$ 15,409</u>

Significant Noncash Transactions

Assets and liabilities under finance leases newly recognized for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Lease assets	¥ 280	¥ 426	\$ 2,572
Lease obligations	304	462	2,793

7. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Merchandise and finished products	¥ 4,412	¥ 3,596	\$ 40,540
Work in process	2,884	2,709	26,500
Raw materials and supplies	1,029	1,061	9,455
Total	<u>¥ 8,327xxx</u>	<u>¥ 7,367</u>	<u>\$ 76,513</u>

8. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Short-term investments:			
Time deposits exceeding three months to maturity	¥ 63	¥ 329	\$ 578
Total	<u>¥ 63</u>	<u>¥ 329</u>	<u>\$ 578</u>
Investment securities:			
Marketable equity securities	¥ 13,422	¥ 18,570	\$ 123,329
Unlisted equity securities	147	185	1,350
Unlisted debt securities	7	13	64
Other	80	85	735
Total	<u>¥ 13,657</u>	<u>¥ 18,854</u>	<u>\$ 125,489</u>

The acquisition costs and aggregate fair values of marketable and investment securities as of March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2020</u>				
Equity securities	¥ 5,088	¥ 8,713	¥ (379)	¥ 13,422
<u>March 31, 2019</u>				
Equity securities	¥ 5,104	¥ 13,525	¥ (60)	¥ 18,570
	Thousands of U.S. Dollars			
	Acquisition Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2020</u>				
Equity securities	\$ 46,751	\$ 80,060	\$ (3,482)	\$ 123,329

The information for available-for-sale securities which were sold during the years ended March 31, 2020 and 2019 is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<u>March 31, 2020</u>			
Equity securities	¥ 1,565	¥ 1,549	¥ -
<u>March 31, 2019</u>			
Equity securities	¥ 1,376	¥ 1,022	¥ -
	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
<u>March 31, 2020</u>			
Equity securities	\$ 14,380	\$ 14,233	\$ -

Loss on valuation of investment securities were ¥74 million (\$679 thousand) for available-for-sale securities for the year ended March 31, 2020 and ¥75 million for available-for-sale securities for the year ended March 31, 2019.

9. SHORT-TERM DEBT AND LONG-TERM DEBT

There was no balance of short-term debt as of March 31, 2020 and 2019.

Long-term debt as of March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unsecured 0.46% bonds, due 2021	¥ 5,000	¥ 5,000	\$ 45,943
Unsecured 0.73% bonds, due 2023	3,000	3,000	27,565
Unsecured bonds with subscription rights to shares, due 2019	-	5,000	-
Loans from banks, due through 2024 with a weighted-average rate of 0.58% in 2020 and 0.66% in 2019:			
Unsecured	15,012	7,000	137,939
Lease obligations	1,621	1,906	14,894
Total	¥ 24,634	¥ 21,906	\$ 226,353
Less current portion	(506)	(5,553)	(4,649)
Long-term debt, less current portion	¥ 24,127	¥ 16,353	\$ 221,694

Description of unsecured bonds with subscription rights to shares is as follows:

Name of bond	JPY 5,000,000,000 zero coupon JPY convertible notes (notes with subscription rights to shares, <i>tenkanshasaigata shinkabu yoyakuken-tsuki shasai</i>) due December 12, 2019
Stock to be issued	Common stock
Issue price of subscription rights to shares	None
Issue price of stock	¥4,370 (\$40.15)
Total issue amount	¥5,000 million (\$45,943 thousand)
Total amount of new stock issued by exercising subscription rights to shares	-
Allotment ratio of subscription rights to shares	100%
Exercise period	From December 24, 2014 to November 28, 2019

Notes:

(*1) Contributions upon exercise of subscription rights to shares are to be in this bond and amount of such bond is equal to face value of the bond.

(*2) The Company conducted a consolidation of shares of common stock at a ratio of one share for each ten shares, and changed the number of shares constituting one trading unit from 1,000 shares to 100 shares on October 1, 2017. As a result, the convertible price has changed from ¥437 to ¥4,370.

Annual maturities of long-term debt as of March 31, 2020, were as follows:

Year Ending March 31	Bonds		Loans		Lease Obligations	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
2021	¥ -	\$ -	¥ -	\$ -	¥ 506	\$ 4,649
2022	5,000	45,943	2,404	22,089	443	4,070
2023	-	-	9,404	86,409	314	2,885
2024	3,000	27,565	2,404	22,089	132	1,212
2025	-	-	800	7,350	87	799
2026 and thereafter	-	-	-	-	139	1,277
Total	¥ 8,000	\$ 73,509	¥ 15,012	\$ 137,939	¥ 1,621	\$ 14,894

Annual maturities of long-term debt as of March 31, 2019, were as follows:

Year Ending March 31	Millions of Yen		
	Bonds	Loans	Lease Obligations
2020	¥ 5,000	¥ -	¥ 553
2021	-	-	447
2022	5,000	2,400	384
2023	-	4,400	257
2024	3,000	200	85
2025 and thereafter	-	-	180
Total	¥ 13,000	¥ 7,000	¥ 1,906

10. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have defined benefit pension plans and lump-sum retirement payment plans. Certain consolidated subsidiaries have defined contribution plans.

The Company has a job-change assistance system. Additional retirement payments may be made to retiring employees using the system, which are outside of the scope of projected benefit obligation calculated in accordance with the retirement benefit accounting standards.

Simplified method is applied by certain consolidated subsidiaries in calculating the projected benefit obligations.

Defined Benefit Plans

(1) The changes in projected benefit obligations for the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
			2020
Balance at beginning of year	¥ 12,196	¥ 11,804	\$ 112,064
Service costs	690	675	6,340
Interest costs	99	96	909
Actuarial (gains) losses	195	259	1,791
Foreign exchange translation differences	0	(2)	0
Benefits paid	(737)	(791)	(6,772)
Past service costs	(2)	-	(18)
Effect of change in scope of consolidation	-	153	-
Balance at end of year	<u>¥ 12,443</u>	<u>¥ 12,196</u>	<u>\$ 114,334</u>

Note: Extra retirement payments for retirees who applied for the job-change assistance system are not included in the above table.

(2) The changes in plan assets for the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 7,278	¥ 7,087	\$ 66,874
Expected return on plan assets	217	212	1,993
Actuarial gains (losses)	(554)	(169)	(5,090)
Contributions from the employer	473	452	4,346
Benefits paid	(332)	(370)	(3,050)
Effect of change in scope of consolidation	-	65	-
Balance at end of year	¥ 7,083	¥ 7,278	\$ 65,083

Note: The plans accounted for using a simplified method are not included in the above table.

(3) The changes in liability for retirement benefits for defined benefit plans accounted for using a simplified method for the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 355	¥ 356	\$ 3,261
Retirement benefit costs	65	75	597
Benefits paid	(5)	(61)	(45)
Contributions to plans	(11)	(14)	(101)
Other	(0)	0	(0)
Balance at end of year	¥ 404	¥ 355	\$ 3,712

(4) Reconciliation between asset and liability for retirement benefits recorded in the consolidated balance sheets and the balances of projected benefit obligations and plan assets as of March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded projected benefit obligations	¥ 6,397	¥ 6,282	\$ 58,779
Plan assets	(7,200)	(7,390)	(66,158)
Unfunded projected benefit obligations	¥ (802)	¥ (1,108)	\$ (7,369)
Net liability recorded in the consolidated balance sheets	¥ 5,764	¥ 5,273	\$ 52,963
Liability for retirement benefits	¥ 6,573	¥ 6,382	\$ 60,396
Asset for retirement benefits	(808)	(1,108)	(7,424)
Net liability recorded in the consolidated balance sheets	¥ 5,764	¥ 5,273	\$ 52,963

(5) The components of retirement benefit costs for the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Service costs	¥ 690	¥ 675	\$ 6,340
Interest costs	99	96	909
Expected return on plan assets	(217)	(212)	(1,993)
Recognized actuarial (gains) losses	16	(11)	147
Amortization of past service costs	(2)	-	(18)
Retirement benefit costs calculated under a simplified method	65	75	597
Retirement benefit costs	¥ 652	¥ 623	\$ 5,990

Note: Besides the above retirement benefit costs, extra retirement payments of ¥157 million (\$1,442 thousand) were recognized, and recorded as selling, general and administrative expenses for the year ended March 31, 2020 and ¥189 million for the year ended March 31, 2019.

(6) Other comprehensive income on remeasurement of defined benefit plans, before income tax effect, for the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Actuarial gains (losses)	¥ (733)	¥ (440)	\$ (6,735)
Total	¥ (733)	¥ (440)	\$ (6,735)

(7) Accumulated other comprehensive income on remeasurement of defined benefit plans, before income tax effect, as of March 31, 2020 and 2019

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Unrecognized actuarial gains (losses)	¥ 1,041	¥ 307	\$ 9,565
Total	¥ 1,041	¥ 307	\$ 9,565

(8) Plan assets as of March 31, 2020 and 2019

(a) Components of plan assets

Major items and component proportion ratio of plan assets were as follows:

	2020	2019
Equity investments	38.6%	54.0%
Debt investments	28.0	28.4
General accounts	10.3	10.2
Other	23.1	7.4
Total	100.0%	100.0%

(b) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the allocation of the plan assets which are expected currently and in the future as well as the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Principal actuarial assumptions used for the years ended March 31, 2020 and 2019

	2020	2019
Discount rate	0.8%	0.8%
Long-term expected rate of return on plan assets	3.0%	3.0%
Expected rate of pay raises	1.8%	1.8%

Defined Contribution Plans

The required contribution amount to the defined contribution plans was ¥4 million (\$36 thousand) for the year ended March 31, 2020 and ¥4 million for the year ended March 31, 2019.

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal retained earnings (a component of retained earnings) or as legal capital surplus (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal retained earnings and legal capital surplus equals 25% of the common stock. Under the Companies Act, the total amount of legal retained earnings and legal capital surplus may be reversed without limitation. The Companies Act also provides that common stock, legal retained earnings, legal capital surplus, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Subscription Rights to Shares

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, subscription rights to shares are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury subscription rights to shares and treasury stock. Such treasury subscription rights to shares are presented as a separate component of equity or deducted directly from subscription rights to shares.

d. Increase/Decrease in Common Stock Issued and Treasury Stock

Common stock of the Company in the amount of 57,000 shares held by Board Benefit Trust (“BBT”) was included in treasury stock as of March 31, 2020 and 2019.

Increase in treasury stock of 136,237 shares for the year ended March 31, 2020 resulted from purchase of less than one trading unit of 37 shares, purchase of treasury stock (market purchase on the Tokyo Stock Exchange) based on a resolution of the Board of Directors held on February 7, 2019 (increase of 136,200 shares).

Increase in treasury stock of 113,607 shares for the year ended March 31, 2019 resulted from purchase of less than one trading unit of 307 shares, purchase of treasury stock (market purchase on the Tokyo Stock Exchange) based on a resolution of the Board of Directors held on February 7, 2019 (increase of 56,300 shares) and purchase of common stock of the Company by BBT ((increase of 57,000 shares). Decrease in treasury stock of 57,000 shares resulted from disposal of treasury stock based on a resolution of the Board of Directors held on August 7, 2018 (disposal of treasury stock through a third party allotment associated with the introduction of BBT.)

12. GAIN (LOSS) ON SALES AND RETIREMENT OF NON-CURRENT ASSETS

Gain (loss) on sales and retirement of non-current assets for the years ended March 31, 2020 and 2019 consisted of the following:

Gain on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Land	¥ -	¥ 25	\$ -
Machinery and vehicles	19	3	174
Total	¥ 19	¥ 29	\$ 174

Loss on sales of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Land	¥ -	¥ (253)	\$ -
Machinery and vehicles	(129)	(26)	(1,185)
Software	(0)	-	(0)
Total	¥ (129)	¥ (280)	\$ (1,185)

Loss on retirement of non-current assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Buildings and structures	¥ (165)	¥ (147)	\$ (1,516)
Machinery and vehicles	(176)	(208)	(1,617)
Other facilities	(15)	(180)	(137)
Software	(15)	(3)	(137)
Total	¥ (372)	¥ (539)	\$ (3,418)

13. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2020 and 2019, respectively.

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

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
			2020
Deferred tax assets:			
Accrued bonuses	¥ 399	¥ 369	\$ 3,666
Allowance for doubtful accounts	31	38	284
Liability for retirement benefits	1,910	1,814	17,550
Provision for directors' retirement benefits	7	5	64
Impairment loss	613	944	5,632
Provision for dismantling of non-current assets	166	602	1,525
Tax loss carryforwards	868	618	7,975
Loss on valuation of investment securities	66	95	606
Other	1,122	565	10,309
Total gross deferred tax assets	¥ 5,187	¥ 5,055	\$ 47,661
Valuation allowance for tax loss carryforwards	(740)	(519)	(6,799)
Valuation allowance for deductible temporary differences	(413)	(327)	(3,794)
Total valuation allowance	¥ (1,154)	¥ (847)	\$ (10,603)
Offset against deferred tax liabilities	(3,550)	(3,726)	(32,619)
Total deferred tax assets	¥ 482	¥ 481	\$ 4,428
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	(1,208)	(1,228)	(11,099)
Unrealized gain on available-for-sale securities	(2,508)	(4,009)	(23,045)
Other	(386)	(249)	(3,546)
Offset against deferred tax assets	3,550	3,726	32,619
Total deferred tax liabilities	¥ (553)	¥ (1,761)	\$ (5,081)

Amounts of tax loss carryforwards and deferred tax assets as of March 31, 2020 and 2019 by expiration period were as follows:

March 31, 2020	Millions of Yen						
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years	Total
Tax loss carryforwards	¥ 36	¥ 19	¥ -	¥ 60	¥ 80	¥ 670	¥ 868
Valuation allowance	(0)	(8)	-	(57)	(80)	(593)	(740)
Deferred tax assets	35	11	-	3	-	77	128

March 31, 2019	Millions of Yen						
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years	Total
Tax loss carryforwards	¥ 80	¥ 36	¥ 21	¥ 3	¥ 12	¥ 464	¥ 618
Valuation allowance	(33)	(0)	(8)	-	(12)	(464)	(519)
Deferred tax assets	46	35	12	3	-	0	99

March 31, 2020	Thousands of U.S. Dollars						
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years	Total
Tax loss carryforwards	\$ 330	\$ 174	\$ -	\$ 551	\$ 735	\$ 6,156	\$ 7,975
Valuation allowance	(0)	(73)	-	(523)	(735)	(5,448)	(6,799)
Deferred tax assets	321	101	-	27	-	707	1,176

Note: Tax loss carryforwards are the amounts multiplied by normal effective statutory tax rates.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2020 and 2019 is as follows.

	2020	2019
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.2	2.6
Revenues not reportable for income tax purposes	(0.7)	(1.2)
Per capita inhabitants' tax	1.4	2.3
Accrued bonuses for directors	0.5	0.6
Effect of valuation allowance	16.7	2.7
Share of (profit) loss of entities accounted for using equity method	0.7	1.2
Amortization of goodwill	3.7	4.3
Special deduction for research and development costs	(1.4)	(4.7)
Other—net	(4.8)	2.3
Actual effective tax rate	<u>47.9%</u>	<u>40.7%</u>

14. LEASES

Finance Leases—Lessee

Leased assets under finance lease transactions in which ownership is transferred to the lessees mainly consist of printing equipment.

Leased assets under finance lease transactions that do not transfer ownership mainly consist of printmaking equipment and software.

The depreciation method for lease assets is included in Note 2. j.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group's policy is to manage funds mainly through short-term deposits and others and raise funds through loans from banks and other financial institutions as well as through issuance of bonds. In principle, the Group utilizes derivative transactions to control risks from fluctuation in interest rates for loans and bonds and in foreign currency exchange rates for receivables and payables denominated in foreign currencies. Those transactions are conducted within actual demand and are not entered into for speculative trading purposes.

(2) *Nature and Extent of Risks Arising from Financial Instruments as well as Risk Management for Financial Instruments*

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk. The Group manages the risk on the basis of its sales management rules (setting standards for payment terms and credit limits), which include monthly controls on due dates and balances of each customer and monitoring of customers' credit condition on a regular basis.

Short-term investments and investment securities are primarily jointly-managed specified money trusts and equity securities. Jointly-managed specified money trusts are highly safe financial instruments held for short-term fund management whose credit risk are regarded as minimum. Equity securities are exposed to market price fluctuation risk. They are mainly composed of shares of companies with which the Group has a business relationship. The Group monitors the fair values and financial position of issuers on a regular basis and continuously evaluates whether the securities should be maintained in consideration of the relationship with the issuer.

Trade payables, such as trade notes and accounts payable, are mostly due within six months.

Short-term borrowings are mainly intended to finance operating transactions and bonds, bonds with subscription rights to shares, long-term bank loans (generally, due within five years) and obligations under finance leases are mainly intended to raise necessary funds for capital investments.

Receivables and payables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk. Derivative transactions (foreign currency forward contracts) are utilized as hedging instruments within actual demand. Please see Note 2, r. for details on hedge accounting such as hedging instruments, hedged items, hedging policies and assessment method of hedge effectiveness.

The Group executes and controls derivative transactions in accordance with its internal rules which regulate the authorization of derivative transactions and they are reported to the board of directors on a quarterly basis. The Group enters into derivative transactions only with financial institutions which have a certain level of credit rating in order to mitigate the credit risk.

Trade payables and loans payable are exposed to liquidity risk. The Group manages its liquidity risk through cash management plans which each company prepares on a monthly basis.

(3) Fair Value of Financial Instruments

Fair value of financial instruments is based on the market price or the reasonably calculated values with certain assumptions in case no market prices exist. The calculated values may fluctuate in case different assumptions are applied.

The contract amounts of derivatives presented in Note 16 do not measure the exposure to market risks.

(a) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
<u>March 31, 2020</u>			
Cash and cash equivalents	¥ 13,070	¥ 13,070	¥ -
Trade notes and accounts receivable	27,301	27,301	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	63	63	-
– available-for-sale securities	13,422	13,422	-
Total	<u>¥ 53,859</u>	<u>¥ 53,859</u>	<u>¥ -</u>
Trade notes and accounts payable	¥ 18,049	¥ 18,049	¥ -
Bonds	8,000	7,965	(34)
Long-term bank loans	15,012	15,012	0
Total	<u>¥ 41,061</u>	<u>¥ 41,027</u>	<u>¥ (34)</u>
Derivatives (*)	<u>¥ (14)</u>	<u>¥ (14)</u>	<u>¥ -</u>
<u>March 31, 2019</u>			
Cash and cash equivalents	¥ 10,432	¥ 10,432	¥ -
Trade notes and accounts receivable	28,402	28,402	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	329	329	-
– available-for-sale securities	18,570	18,570	-
Total	<u>¥ 57,735</u>	<u>¥ 57,735</u>	<u>¥ -</u>
Trade notes and accounts payable	¥ 17,936	¥ 17,936	¥ -
Bonds	8,000	8,024	24
Bonds with subscription rights to shares	5,000	4,972	(27)
Long-term bank loans	7,000	7,007	7
Total	<u>¥ 37,936</u>	<u>¥ 37,940</u>	<u>¥ 4</u>
Derivatives (*)	<u>¥ (7)</u>	<u>¥ (7)</u>	<u>¥ -</u>

<u>March 31, 2020</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	\$ 120,095	\$ 120,095	\$ -
Trade notes and accounts receivable	250,859	250,859	-
Short-term investments and investment securities:			
– time deposits exceeding three months to maturity	578	578	-
– available-for-sale securities	<u>123,329</u>	<u>123,329</u>	<u>-</u>
Total	<u>\$ 494,891</u>	<u>\$ 494,891</u>	<u>\$ -</u>
Trade notes and accounts payable	\$ 165,845	\$ 165,845	\$ -
Bonds	73,509	73,187	(312)
Long-term bank loans	<u>137,939</u>	<u>137,939</u>	<u>0</u>
Total	<u>\$ 377,294</u>	<u>\$ 376,982</u>	<u>\$ (312)</u>
Derivatives (*)	<u>\$ (128)</u>	<u>\$ (128)</u>	<u>\$ -</u>

Note: (*) Net receivables and payables arising from derivative transactions are stated at net values.

Cash and Cash Equivalents, Trade Notes and Accounts Receivable

The carrying values approximate fair value because of their short maturities.

Short-term Investments and Investment Securities

For time deposits exceeding three months to maturity, the carrying values approximate fair value because of their short maturities. The fair values of equity securities are measured at the quoted market price of the stock exchange. The fair values of debt securities are measured by the price obtained from counterparty financial institutions. Fair value information on marketable and investment securities by classification is included in Note 8.

Trade Notes and Accounts Payable

The carrying values approximate fair value because of their short maturities.

Bonds (including Current Portion)

The fair values are measured at the amount calculated by discounting the sum of principal and interest by the rate which reflects the remaining period and credit risk.

Bonds with Subscription Rights to Shares

The fair values are measured by the price obtained from counterparty financial institutions.

Long-Term Bank Loans (including Current Portion)

The fair values are measured at the amount calculated by discounting the sum of principal and interest by the assumed rate which would be applied if a similar new loan were entered into.

Derivatives

Fair value information for derivatives is included in Note 16.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
Unlisted equity securities	¥ 230	¥ 322	\$ 2,113
Unlisted debt securities	7	13	64
Others	80	85	735

These are not included in (3)(a) Short-term investments and investment securities as it is extremely difficult to determine their fair value since there is no market price.

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2020</u>				
Cash and cash equivalents	¥ 13,070	¥ -	¥ -	¥ -
Trade notes and accounts receivable	27,301	-	-	-
Short-term investments and investment securities:				
Time deposits	63	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	7	-	-
Total	¥ 40,436	¥ 7	¥ -	¥ -
<u>March 31, 2019</u>				
Cash and cash equivalents	¥ 10,432	¥ -	¥ -	¥ -
Trade notes and accounts receivable	28,402	-	-	-
Short-term investments and investment securities:				
Time deposits	329	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	-	7	-
Total	¥ 39,164	¥ -	¥ 7	¥ -
	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2020</u>				
Cash and cash equivalents	\$ 120,095	\$ -	\$ -	\$ -
Trade notes and accounts receivable	250,859	-	-	-
Short-term investments and investment securities:				
Time deposits	578	-	-	-
Available-for-sale securities with contractual maturities:				
Debt securities (bonds)	-	64	-	-
Total	\$ 371,551	\$ 64	\$ -	\$ -

Please see Note 9 for annual maturities of long-term debt including lease obligations.

16. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

Currency-related transactions

	Millions of Yen			
	Contract Amount			
	Contract Amount	Due after One Year	Fair Value	Unrealized Gain (Loss)
<u>March 31, 2020</u>				
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.\$	¥ 304	¥ 199	¥ (15)	¥ (15)
Buying Euro	120	-	0	0
Buying Swiss Franc	56	-	0	0
Total	<u>¥ 481</u>	<u>¥ 199</u>	<u>¥ (14)</u>	<u>¥ (14)</u>

	Millions of Yen			
	Contract Amount			
	Contract Amount	Due after One Year	Fair Value	Unrealized Gain (Loss)
<u>March 31, 2019</u>				
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.\$	¥ 609	¥ 357	¥ (8)	¥ (8)
Buying Swiss Franc	369	-	0	0
Total	<u>¥ 978</u>	<u>¥ 357</u>	<u>¥ (7)</u>	<u>¥ (7)</u>

	Thousands of U.S. Dollars			
	Contract Amount			
	Contract Amount	Due after One Year	Fair Value	Unrealized Gain (Loss)
<u>March 31, 2020</u>				
Over-the-counter transactions:				
Foreign currency forward contracts:				
Selling U.S.\$	\$ 2,793	\$ 1,828	\$ (137)	\$ (137)
Buying Euro	1,102	-	0	0
Buying Swiss Franc	514	-	0	0
Total	<u>\$ 4,419</u>	<u>\$ 1,828</u>	<u>\$ (128)</u>	<u>\$ (128)</u>

Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from counterparty financial institutions, etc.

2. The above foreign currency forward contracts - selling, which are used for intercompany transactions accompanied by loans to the Company's subsidiary as hedged items, have applied

hedge accounting in the non-consolidated financial statements. However, hedge accounting has not been applied to them in the consolidated financial statements because such intercompany transactions have been eliminated in consolidation.

Derivative Transactions to Which Hedge Accounting Is Applied

There were no items to be reported for the years ended March 31, 2020 and 2019.

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ (3,599)	¥ 446	\$ (33,069)
Reclassification adjustments to profit or loss	(1,531)	(847)	(14,067)
Amount before income tax effect	¥ (5,131)	¥ (401)	\$ (47,146)
Income tax effect	1,500	86	13,782
Total	¥ (3,630)	¥ (314)	\$ (33,354)
Foreign currency translation adjustments:			
Gain (loss) arising during the year	149	(232)	1,369
Remeasurement of defined benefit plans:			
Gain (loss) arising during the year	(762)	(438)	(7,001)
Reclassification adjustments to profit and loss	28	(1)	257
Amount before income tax effect	¥ (733)	¥ (440)	\$ (6,735)
Income tax effect	219	133	2,012
Total	¥ (514)	¥ (306)	\$ (4,722)
Share of other comprehensive income in associate accounted for using the equity method:			
Gain (loss) arising during the year	(5)	0	(45)
Total other comprehensive income (loss)	¥ (4,001)	¥ (853)	\$ (36,763)

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2020, was approved at the Company's shareholders meeting held on June 26, 2020:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥50.00 (\$0.45) per share	¥ 432	\$ 3,969

Note: The total amount of cash dividends approved at the Company's shareholders' meeting held on June 26, 2020 includes dividends of ¥2 million (\$18 thousand) on the Company's common stock owned by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property of BBT.

19. BUSINESS COMBINATION

Business combination through acquisition

The Company acquired the blow bottle business of Kureha Corporation (hereinafter “Kureha”) by means of a company split on November 1, 2019 based on the absorption-split agreement entered into on July 24, 2019.

1. Outline of the business combination
 - (a) Name and business description of the acquired business
Name: Kureha Corporation
Business description: Manufacturing and sales of blow bottles
 - (b) Primary reason for the business combination
The Group considers the expansion of its Living and Industrial Material Division to be the priority policy in its medium-term management policy, “Continue to grow by taking on the challenge of developing and expanding our strengths and reforming the business foundations,” covering the period from the year ended March 31, 2019 to the year ending March 31, 2021. The company split was conducted to further increase the corporate value of the Group, as part of measures to expand the business areas of the Living and Industrial Materials Division by succeeding the blow bottle business of Kureha.
 - (c) Effective date of the business combination
November 1, 2019
 - (d) Legal form of the business combination
An absorption-type split in which Kureha is a splitting company and the Company is a succeeding company.
 - (e) Name of the company after the business combination
No change
 - (f) Principal basis for determining the acquiring company
It is based on the fact that the Company acquired the business in consideration for cash.
2. Periods for which the operating results of the acquired company are included in the consolidated financial statements
November 1, 2019 through March 31, 2020
3. Cost of acquisition and details

Consideration for acquisition—Cash:	¥1,677 million (\$15,409 thousand)
Acquisition cost:	¥1,677 million (\$15,409 thousand)
4. Major acquisition-related costs

Advisory fees, etc.:	¥23 million (\$211 thousand)
----------------------	------------------------------
5. Amount of goodwill incurred, reasons for goodwill incurred, amortization method and amortization period

Amount of goodwill incurred:	¥1,200 million (\$11,026 thousand)
Reasons for goodwill incurred:	Goodwill is incurred from expected excess earning power in the future arising from further business development.
Amortization method and amortization period:	Straight-line method over 5 years

6. Major assets and liabilities received on the date of business combination

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Current assets	¥ 186	\$ 1,709
Non-current assets	291	2,673
Total assets	<u>¥ 477</u>	<u>\$ 4,382</u>

No liabilities were assumed on the date of business combination.

7. The estimated impact on the accompanying consolidated statement of income for the year ended March 31, 2020, assuming the business combination was completed on April 1, 2019 and the method of estimating the impact

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Net sales	¥ 1,866	\$ 17,146
Operating income (loss)	(120)	(1,102)

The above amounts were estimated as the difference between the amount of net sales and operating income (loss) calculated assuming that the business combination was completed at the beginning of the year ended March 31, 2020 and the amount of net sales and operating income recorded in the consolidated statement of income of the Company. The above amounts of estimated impact have not been audited.

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Segment Information

(1) Description of reportable segments

The Group consists of various divisions classified by products and services. Each division designs its comprehensive strategy for the products and services and operates business. For those divisions, separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how to allocate resources and to assess performance.

As reportable segments, those divisions which cover similar products and services are integrated into three reportable segments; that is “Information communication,” “Information security” and “Living and industrial materials.” “Information communication” mainly covers periodicals, books, general commercial printing and related services. “Information security” mainly covers business forms, securities printing, cards and related services. “Living and industrial materials” mainly covers paper containers, flexible packaging, tubes, metal printing, and construction materials.

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2 “Summary of Significant Accounting Policies,” except for the valuation method for inventories.

Inventories are stated at cost.

Segment profits correspond to operating income. Intersegment revenues and transfers are based on prices which are set taking into account market prices and manufacturing costs.

(3) Information about sales, profit (loss), assets, liabilities and other items for each reportable segment

	Millions of Yen			
	Reportable Segment			
March 31, 2020	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 39,815	¥ 31,965	¥ 26,338	¥ 98,119
Intersegment sales or transfers	2,235	1,093	457	3,785
Total	¥ 42,050	¥ 33,058	¥ 26,795	¥ 101,904
Segment profit (loss)	¥ 97	¥ 1,475	¥ (373)	¥ 1,199
Segment assets	23,616	21,511	35,182	80,310
Other (*4):				
Depreciation and amortization	865	1,392	2,203	4,460
Amortization of goodwill	175	52	245	473
Increase in property, plant and equipment and intangible assets	714	983	4,383	6,082
	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 2,739	¥ 100,858	¥ -	¥ 100,858
Intersegment sales or transfers	8,256	12,042	(12,042)	-
Total	¥ 10,995	¥ 112,900	¥ (12,042)	¥ 100,858
Segment profit (loss)	¥ 324	¥ 1,523	¥ 45	¥ 1,569
Segment assets	5,868	86,179	38,455	124,634
Other (*4):				
Depreciation and amortization	273	4,734	654	5,388
Amortization of goodwill	-	473	-	473
Increase in property, plant and equipment and intangible assets	218	6,300	2,172	8,473

	Millions of Yen			
	Reportable Segment			
March 31, 2019	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 39,168	¥ 31,165	¥ 25,270	¥ 95,603
Intersegment sales or transfers	1,739	892	420	3,051
Total	<u>¥ 40,907</u>	<u>¥ 32,057</u>	<u>¥ 25,690</u>	<u>¥ 98,655</u>
Segment profit (loss)	¥ (828)	¥ 1,412	¥ 208	¥ 792
Segment assets	24,055	21,923	32,978	78,957
Other (*4):				
Depreciation and amortization	944	1,376	1,858	4,179
Amortization of goodwill	42	52	144	240
Increase in property, plant and equipment and intangible assets	925	1,339	7,944	10,209

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 2,178	¥ 97,782	¥ -	¥ 97,782
Intersegment sales or transfers	8,591	11,643	(11,643)	-
Total	<u>¥ 10,770</u>	<u>¥ 109,426</u>	<u>¥ (11,643)</u>	<u>¥ 97,782</u>
Segment profit (loss)	¥ 369	¥ 1,162	¥ (135)	¥ 1,027
Segment assets	6,344	85,301	40,088	125,390
Other (*4):				
Depreciation and amortization	130	4,310	718	5,028
Amortization of goodwill	-	240	-	240
Increase in property, plant and equipment and intangible assets	1,733	11,942	1,203	13,145

March 31, 2020	Thousands of U.S. Dollars			
	Reportable Segment			
	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	\$ 365,845	\$ 293,714	\$ 242,010	\$ 901,580
Intersegment sales or transfers	20,536	10,043	4,199	34,779
Total	<u>\$ 386,382</u>	<u>\$ 303,758</u>	<u>\$ 246,209</u>	<u>\$ 936,359</u>
Segment profit (loss)	\$ 891	\$ 13,553	\$ (3,427)	\$ 11,017
Segment assets	216,998	197,656	323,274	737,939
Other (*4):				
Depreciation and amortization	7,948	12,790	20,242	40,981
Amortization of goodwill	1,608	477	2,251	4,346
Increase in property, plant and equipment and intangible assets	6,560	9,032	40,273	55,885

March 31, 2020	Thousands of U.S. Dollars			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
	Sales:			
Sales to external customers	\$ 25,167	\$ 926,748	\$ -	\$ 926,748
Intersegment sales or transfers	75,861	110,649	(110,649)	-
Total	<u>\$ 101,029</u>	<u>\$ 1,037,397</u>	<u>\$ (110,649)</u>	<u>\$ 926,748</u>
Segment profit (loss)	\$ 2,977	\$ 13,994	\$ 413	\$ 14,416
Segment assets	53,918	791,868	353,349	1,145,217
Other (*4):				
Depreciation and amortization	2,508	43,499	6,009	49,508
Amortization of goodwill	-	4,346	-	4,346
Increase in property, plant and equipment and intangible assets	2,003	57,888	19,957	77,855

Notes: (*1) "Other" refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

(*2) "Reconciliations" for "Segment profit (loss)" refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments. "Reconciliations" for "Segment assets" refer to corporate assets and primarily consist of financial assets (cash and cash equivalents and investment securities) and assets for control functions. "Reconciliations" for "Depreciation and amortization" as well as "Increase in property, plant and equipment and intangible assets" are those for corporate assets.

(*3) "Segment profit (loss)" is adjusted to the operating income stated in the consolidated statements of income.

(*4) "Increase in property, plant and equipment and intangible assets" includes long-term prepaid expenses and "Depreciation and amortization" includes amortization of long-term prepaid expenses.

b. Related Information

(1) Information by product and service

Information by product and service for the years ended March 31, 2020 and 2019 has been omitted because it is identical to segment classification.

(2) Information by geographical area

(a) Sales

Sales information by geographical area for the years ended March 31, 2020 and 2019 has been omitted because sales in Japan accounted for more than 90% of consolidated net sales of the Group.

(b) Property, plant and equipment

Information about property, plant and equipment by geographical area for the years ended March 31, 2020 and 2019 has been omitted because property, plant and equipment in Japan accounted for more than 90% of consolidated property, plant and equipment of the Group.

(3) Information by major customer

Information by major customer for the years ended March 31, 2020 and 2019 has been omitted because no single customer accounts for more than 10% of consolidated net sales of the Group.

c. Information about Impairment Loss by Reportable Segment

No impairment loss was recognized for the years ended March 31, 2020 and 2019.

d. Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment

Millions of Yen					
<u>March 31, 2020</u>	<u>Information Communication</u>	<u>Information Security</u>	<u>Living and Industrial Materials</u>	<u>Total</u>	
Amortization of goodwill	¥ 175	¥ 52	¥ 245	¥	473
Unamortized balance of goodwill	478	92	1,432		2,003
Millions of Yen					
<u>March 31, 2019</u>	<u>Information Communication</u>	<u>Information Security</u>	<u>Living and Industrial Materials</u>	<u>Total</u>	
Amortization of goodwill	¥ 42	¥ 52	¥ 144	¥	240
Unamortized balance of goodwill	640	145	462		1,248
Thousands of U.S. Dollars					
<u>March 31, 2020</u>	<u>Information Communication</u>	<u>Information Security</u>	<u>Living and Industrial Materials</u>	<u>Total</u>	
Amortization of goodwill	\$ 1,608	\$ 477	\$ 2,251	\$	4,346
Unamortized balance of goodwill	4,392	845	13,158		18,404

* * * * *