Torishima Pump Mfg. Co., Ltd.

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

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of Torishima Pump Mfg. Co., Ltd.

Opinion

We have audited the consolidated balance financial statements of Torishima Pump Mfg. Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Deloitte Touche Tohmatsu LLC

June 26, 2020

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2020

ASSETS	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	¥ 16,265	¥ 15,924	$ 149,220
Short-term investments (Note 3)	11	7	100
Receivables:			
Trade (Note 11)	25,726	25,777	236,018
Unconsolidated subsidiaries and associated companies	0	1	0
Other	374	595	3,431
Allowance for doubtful accounts	(1,885)	(966)	(17,293)
Inventories (Note 4)	10,122	8,328	92,862
Advance payments	649	624	5,954
Other current assets	979	705	8,981
Total current assets	52,243	50,998	479,273
PROPERTY, PLANT AND EQUIPMENT (Note 17):			
Land (Note 5)	2,478	2,484	22,733
Buildings and structures (Note 5)	10,397	10,658	95,385
Machinery and equipment	14,614	14,269	134,073
Construction in progress	1,490	225	13,669
Lease assets	1,712	815	15,706
Total	30,693	28,453	281,587
Accumulated depreciation	(18,998)	(18,297)	(174,293)
Net property, plant and equipment	11,695	10,156	107,293
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 11)	6,476	8,120	60,522
Investments in and advances to unconsolidated subsidiaries and associated companies	1,603	1,595	13,596
Software	395	822	3,623
Asset for retirement benefits (Note 6)	280	455	2,568
Deferred tax assets (Note 9)	85	105	779
Other assets (Note 17)	181	420	1,660
Total investments and other assets	9,022	11,519	82,770
TOTAL	¥ 72,961	¥ 72,674	$ 669,366

LIABILITIES AND EQUITY	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT LIABILITIES:			
Short-term borrowings (Notes 5 and 11)	¥ 1,648	¥ 1,639	$ 15,119
Current portion of long-term debt (Notes 5 and 11)	2,066	970	18,954
Payables:			
Trade (Note 11)	11,845	11,118	108,669
Unconsolidated subsidiaries and associated companies	24	28	220
Other	1,642	1,328	15,064
Advances received from customers	3,242	2,292	29,743
Income taxes payable	297	140	2,724
Allowance for product warranties	595	797	5,458
Allowance for losses on construction contracts	831	584	7,623
Accrued bonuses	822	872	7,541
Accrued expenses	560	535	5,137
Other current liabilities	228	205	2,091
Total current liabilities	23,806	20,513	218,403
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 11)	14,693	15,816	134,798
Liability for retirement benefits (Note 6)	281	303	2,577
Deferred tax liabilities (Note 9)	336	659	3,082
Other long-term liabilities	371	432	3,403
Total long-term liabilities	15,683	17,212	143,880
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)			
EQUITY (Notes 7, 8, and 15):			
Common stock, authorized, 60,000 thousand shares; issued 29,512 thousand shares in 2020 and 29,889 thousand shares in 2019	1,592	1,592	14,605
Capital surplus	7,372	7,621	67,633
Stock acquisition rights	121	121	1,110
Retained earnings	24,656	24,793	226,201
Treasury stock—at cost 2,491 thousand shares in 2020 and 2,613 thousand shares in 2019	(1,733)	(1,736)	(15,899)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	822	1,638	7,541
Deferred gain (loss) on derivatives under hedge accounting	(42)	(59)	(385)
Foreign currency translation adjustments	310	420	2,844
Defined retirement benefit plans	163	381	1,495
Total	33,263	34,773	305,165
Noncontrolling interests	207	174	1,899
Total equity	33,470	34,947	307,064
TOTAL	¥ 72,961	¥ 72,674	$ 669,366

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET SALES (Note 17)	¥ 47,126	¥ 48,154	$ 432,348
COST OF SALES (Note 10)	34,815	36,391	319,403
Gross profit	12,310	11,763	112,935
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	11,090	10,032	101,743
Operating income	1,220	1,731	11,192
OTHER INCOME (EXPENSES):			
Interest and dividend income	329	291	3,018
Interest expense	(125)	(128)	(1,146)
Loss on valuation of investment securities (Note 3)	(154)	(14)	(1,412)
Loss on valuation of shares of subsidiaries and associates	-	(28)	-
Gain (Loss) on foreign exchange—net	(270)	(75)	(2,477)
Rent income	91	131	834
Equity in earnings (losses) of associated companies	20	99	183
Gain on sales of investment securities	3	97	27
Loss on disposal of property, plant and equipment	(128)	-	(1,174)
Other—net	25	153	229
Other income (expenses)—net	(209)	523	(1,917)
INCOME BEFORE INCOME TAXES	1,011	2,254	9,275
INCOME TAXES (Note 9):			
Current	309	107	2,834
Deferred	140	(7)	1,284
Total income taxes	449	100	4,119
NET INCOME	561	2,154	5,146
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(17)	28	(155)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 543	¥ 2,183	$ 4,981

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.w and 15):			
Basic net income	¥ 20.07	¥ 80.18	$ 0.18
Diluted net income	¥ 19.98	¥ 79.84	$ 0.18
Cash dividends applicable to the year	¥ 18.00	¥ 25.00	$ 0.16

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET INCOME	¥ 561	¥ 2,154	$ 5,146
OTHER COMPREHENSIVE INCOME (LOSS) (Note 13):			
Unrealized gain (loss) on available-for-sale securities	(815)	(401)	(7,477)
Deferred gain (loss) on derivatives under hedge accounting	16	(132)	146
Foreign currency translation adjustments	(102)	(212)	(935)
Defined retirement benefit plans	(218)	(80)	(2,000)
Share of other comprehensive income (loss) in associates	(2)	(1)	(18)
Total other comprehensive income (loss)	(1,122)	(828)	(10,293)
COMPREHENSIVE INCOME (LOSS)	¥ (560)	¥ 1,326	$ (5,137)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (583)	¥ 1,367	$ (5,348)
Noncontrolling interests	22	(41)	201

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2020

	Thousands		Millions of Yen											
								Accumulated Other Comprehensive Income						
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non controlling Interests	Total Equity
BALANCE, APRIL 1, 2018	29,889	(2,726)	¥ 1,592	¥ 7,604	¥ 142	¥ 23,138	¥ (1,841)	¥ 2,039	¥ 72	¥ 621	¥ 461	¥ 33,832	¥ 184	¥ 34,017
Net income attributable to owners of the parent						2,183						2,183		2,183
Cash dividends, ¥18.00 per share						(492)						(492)		(492)
Purchase of treasury stock		(0)					(0)					(0)		(0)
Disposal of treasury stock		113					105					105		105
Change in the parent's ownership interest due to transactions with noncontrolling interests				17		(4)						12		12
Change of scope of consolidation						(31)						(31)		(31)
Net change in the year					(21)			(401)	(132)	(201)	(80)	(837)	(9)	(905)
BALANCE, MARCH 31, 2019	29,889	(2,613)	¥ 1,592	¥ 7,621	¥ 121	¥ 24,793	¥ (1,736)	¥ 1,638	¥ (59)	¥ 420	¥ 381	¥ 34,773	¥ 174	¥ 34,947
Net income attributable to owners of the parent						543						543		543
Cash dividends, ¥25.00 per share						(680)						(680)		(680)
Purchase of treasury stock							(382)					(382)		(382)
Disposal of treasury stock	(377)	122		13			123					136		136
Cancellation of treasury stock				(262)			262					-		-
Net change in the year								(816)	16	(109)	(218)	(1,126)	32	(1,094)
BALANCE, MARCH 31, 2020	29,512	(2,491)	¥ 1,592	¥ 7,372	¥ 121	¥ 24,656	¥ (1,733)	¥ 822	¥ (42)	¥ 310	¥ 163	¥ 33,263	¥ 207	¥ 33,470

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncont-rolling Interests	Total Equity
BALANCE, MARCH 31, 2019	$ 14,605	$ 69,917	$ 1,110	$ 227,458	$ (15,926)	$ 15,027	$ (541)	$ 3,853	$ 3,495	$ 319,018	$ 1,596	$ 320,614
Net income attributable to owners of the parent				4,981						4,981		4,981
Cash dividends, $0.22 per share				(6,238)	(3,504)					(6,238)		(6,238)
Purchase of treasury stock										(3,504)		(3,504)
Disposal of treasury stock		119			1,128					1,247		1,247
Cancellation of treasury stock		(2,403)			2,403					-		-
Net change in the year						(7,486)	146	(990)	(2,000)	(10,330)	293	(10,036)
BALANCE, MARCH 31, 2020	$ 14,605	$ 67,633	$ 1,110	$ 226,201	$ (15,899)	$ 7,541	$ (385)	$ 2,844	$ 1,495	$ 305,165	$ 1,899	$ 307,064

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 1,011	¥ 2,254	$ 9,275
Adjustments for:			
Income taxes—paid	(167)	(404)	(1,532)
Income taxes—refunded	92	-	844
Depreciation and amortization	2,017	1,825	18,504
Loss on valuation of investment securities	154	14	1,412
Loss on disposal of property, plant and equipment	128	-	1,174
Loss on valuation of shares of subsidiaries and associates	-	28	-
Equity in losses of associated companies	(20)	(99)	(183)
Changes in assets and liabilities:			
(Increase) Decrease in accounts receivables	(68)	1,065	(623)
(Increase) Decrease in inventories	(1,820)	1,142	(16,697)
(Increase) Decrease in advance payments	(26)	100	(238)
Increase (Decrease) in accounts payable	1,110	(271)	10,183
Increase (Decrease) in advances received from customers	965	(773)	8,853
Increase in allowance for doubtful accounts	908	96	8,330
Increase (Decrease) in allowance for product warranties	(201)	74	(1,844)
Increase (Decrease) in allowance for losses on construction contracts	245	(1,047)	2,247
Increase (Decrease) in liability for retirement benefits	(168)	42	(1,541)
Other—net	45	(280)	412
Total adjustments	3,194	1,514	29,302
Net cash flows from operating activities	4,207	3,769	38,596
INVESTING ACTIVITIES:			
Increase in saving of time deposits	(68)	(78)	(623)
Proceeds from withdrawal of time deposits	60	108	550
Purchases of property, plant and equipment	(2,242)	(1,558)	(20,568)
Proceeds from sales of property, plant and equipment	17	11	155
Purchases of intangibles	(226)	(69)	(2,073)
Purchases of investment securities	(142)	(0)	(1,302)
Proceeds from sales of investment securities	498	390	4,568
Proceeds from subsidiaries resulting in change in scope of consolidation	-	(22)	-
Payments of loans receivable	(3)	(46)	(27)
Collection of loans receivable	31	20	284
Other	99	(194)	908
Net cash from investing activities	(1,976)	(1,438)	(18,128)
FORWARD	¥ 2,231	¥ 2,330	$ 20,468

(Continued)

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
FORWARD	¥ 2,231	¥ 2,330	$ 20,468
FINANCING ACTIVITIES:			
Change in short-term borrowings—net	67	49	614
Proceeds from long-term debt	500	5,307	4,587
Repayments of long-term debt	(1,263)	(2,814)	(11,587)
Dividends paid	(679)	(490)	(6,229)
Repurchase of treasury stock	(382)	(0)	(3,504)
Disposal of treasury stock	81	60	743
Other	3	38	27
Net cash flows from financing activities	(1,672)	2,150	(15,339)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(217)	3	(1,990)
NET INCREASE IN CASH AND CASH EQUIVALENTS	341	4,485	3,128
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,924	11,379	146,091
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, INCREASE	-	59	-
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 16,265	¥ 15,924	$ 149,220

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Torishima Pump Mfg. Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") 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 ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 consolidated financial statements to conform to the classifications used in 2020.

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 ¥109 to $1, the approximate rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen amounts less than one million yen are rounded down to the nearest million yen, except for per share information. U.S. dollar amounts less than one thousand U.S. dollars are also rounded down to the nearest thousand dollars, except for per share information. Consequently, the totals shown in the consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** - The consolidated financial statements as of March 31, 2020 include the accounts of the Company and its 22 (21 in 2019) significant subsidiaries.

Under the control and influence concepts, 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 Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in four associated companies are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of less than 20 years.

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

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements –*** Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*** - ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform associates accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. ***Business Combinations*** - Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash Equivalents*** - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that mature within three months of the date of acquisition.

f. ***Inventories*** - Inventories are stated at the lower of cost, determined by the specific identification method for work in process, and by the moving-average method for other inventories, or net selling value.

g. ***Marketable and Investment Securities*** - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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.

h. ***Allowance for Doubtful Accounts*** - The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in receivables outstanding.

i. ***Property, Plant and Equipment*** - Property, plant and equipment are stated at cost.

Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, building improvements and structures acquired on or after April 1, 2016, and lease assets based on the estimated useful lives of the assets.

The estimated useful lives of the assets are primarily as follows:

Buildings and structures	10 to 50 years
Machinery and equipment	2 to 20 years
Software	5 to 7 years
Lease assets	Terms of the respective lease

j. ***Long-Lived Assets*** - The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is 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.

k. ***Retirement and Pension Plans*** - The Company has contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain consolidated subsidiaries have unfunded retirement benefit plans only.

Under the accounting standard for employees' retirement benefits, the liability for employees' retirement benefits is determined based on projected benefit obligations and plan assets at the balance sheet date.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years , no longer than the expected average remaining service period of the employees.

l. ***Allowance for Product Warranties*** - The Companies provide an allowance for foreseeable losses arising from product warranties.

m. ***Allowance for Losses on Construction Contracts*** - The Companies provide an allowance for foreseeable losses arising from certain construction contracts.

n. ***Asset Retirement Obligations*** - An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period in which the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. ***Stock Options*** - Compensation expense for employee stock options which were granted on or after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment." Stock options granted to nonemployees are accounted for based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

p. ***Employee Stockownership Plan*** -In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company shall record's (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

q. ***Research and Development Costs*** - Research and development costs are charged to income as incurred.

r. ***Construction Contracts*** - Construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied.

s. ***Income Taxes*** - The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

t. ***Foreign Currency Transactions*** - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

u. ***Foreign Currency Financial Statements*** - The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

v. Derivatives and Hedging Activities

Derivatives under contract

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:
a) 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 statement of income and
b) 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 exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and unrealized gains / losses are recognized in income.

Foreign exchange forward contracts applied for forecasted or committed transactions are also measured at fair value but unrealized gains / losses are deferred until the underlying transactions are completed.
Certain foreign exchange contracts are subject to appropriation if the forward contracts qualify for hedge accounting.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

Hedging instruments and hedged items

a.Hedging instruments - Foreign exchange forward contracts
Hedged items – Receivables and their forecasted transactions denominated in foreign currencies

b. Hedging instruments - Interest rate swaps
Hedged items - Long-term debt

Derivative use policy

The Companies manage their derivative financial instruments based on internal rules that define authority and limits.

The Companies use derivatives only for the purpose of hedging market risks associated with assets and liabilities. The Companies do not hold or issue derivatives for trading or speculative purposes.

Assessing the effectiveness of hedging

Hedge effectiveness is assessed by comparing the accumulated cash flows between the hedging instruments and hedged items. However, with regard to interest rate swaps that meet specific matching criteria, the assessments are omitted..

Risk associated with derivatives

All derivative transactions are entered into to hedge interest rate risk and foreign currency risk exposures incorporated within the business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

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

x. *New Accounting Pronouncements*

Recognition of Revenue - On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

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

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

y. *Accounting Change*

Of the standards and interpretations that were issued, amended, or revised but not yet effective before the approval date of the accompanying consolidated financial statements as of and for the year ended March 31, 2019, IFRS 16 Leases was adopted by the Companies for the fiscal year ended March 31, 2019. IFRS 16 sets out the principles for recognition, measurement, presentation, and disclosure of leases. A lessee is required to account for all leases in its consolidated statement of financial position, applying a single accounting model. IFRS 16 is effective for annual periods beginning on or after April 1, 2019, and the Companies will apply IFRS 16 from April 1, 2019.
The impact of applying IFRS 16 on the statement of financial position at the beginning of the year ending March 31, 2020, are as follows: an increase in tangible fixed assets by approximately ¥503 million (US $4,614 thousand); an increase in current liabilities by approximately ¥100 million (US $917 thousand); an increase in fixed liabilities and other by approximately ¥166 million (US $1,522 thousand);and a decrease in intangible fixed assets by approximately ¥166 million (US $1,522 thousand). Accordingly, the potential impact of applying IFRS 16 on the consolidated statement of income are expected to be insignificant.

z. ***Additional Information***

Accounting method for ESOP trust - The Company has started to transfer treasury shares to the employee stock ownership plan (ESOP) by using a trust in November 10, 2016. The purpose is to improve benefits for employees.

(a) Summary - To further improve benefits for employees, who play a critical role in our growth, the Board of Directors approved a resolution on November 11, 2016 to establish ESOP trust to serve as an employee incentive plan. The goals of this plan are to make employees more aware of results of operations and shareholder value as well as to achieve medium- to long-term growth in corporate value. A trust has been established that will provide benefits to employees belonging to the employee stock ownership plan who fulfill certain requirements.

(b) Stock remaining in the trust - For the accounting treatment of the ESOP trust, the Company quickly began applying the "Practical Solution for Transactions for Transfers of Company Stock to Employees, Etc. Using a Trust (Practical Issues Task Force No. 30, March 26, 2015)." As a result, the Company and the ESOP trust are treated for accounting purposes as a single unit by using the gross price method. Based on this method, the book value (excluding incidental expenses) of the Company stock held by the ESOP trust is included as "treasury shares" in net assets in the consolidated balance sheets. As of March 31, 2020 and 2019, the ESOP trust held 0 shares and 85,400 shares of the Company stock with a book value of ¥0 million and ¥98 million, respectively.

(c) In March 2020, the Company liquidated the ESOP trust, based on a Board resolution on November 10, 2016. Note that, on May 26, 2020 the Board of Directors resolved to reintroduce the ESOP trust. For details, see Note 16, **SUBSEQUENT EVENTS.**

3. MARKETABLE AND INVESTMENT SECURITIES AND SHORT-TERM INVESTMENTS

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current:			
Time deposits that mature over three months from the date of acquisition	¥ 11	¥ 7	$ 100
Total	¥ 11	¥ 7	$ 100
Non-current:			
Marketable equity securities	¥ 5,270	¥ 6,884	$ 48,348
Non-marketable equity securities	1,202	1,222	12,128
Trust funds	3	14	27
Total	¥ 6,476	¥ 8,120	$ 60,522

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

	Millions of Yen			
March 31, 2020	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,097	¥ 1,657	¥ 484	¥ 5,270
March 31, 2019				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,550	¥ 2,649	¥ 315	¥ 6,884

	Thousands of U.S. Dollars			
March 31, 2020	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 37,587	$ 15,201	$ 4,440	$ 48,348

Information on available-for-sale securities sold during the year ended March 31, 2020 and 2019, is as follows:

	Millions of Yen		
March 31, 2020	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 429	¥ 3	¥ 33

	Millions of Yen		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 438	¥ 97	¥ 83

	Thousands of U.S. Dollars		
March 31, 2020	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$ 3,770	$ 27	$ 302

Impairment losses on available-for-sale equity securities for the year ended March 31, 2020 and 2019 were ¥154 million ($1,412 thousand) and ¥43 million, respectively.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Merchandise and finished goods	¥ 264	¥ 217	$ 2,422
Work in process	7,916	6,462	72,623
Raw materials and supplies	1,940	1,647	17,798
Total	¥ 10,122	¥ 8,328	$ 92,862

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings generally included overdrafts, which bore interest at the weighted-average interest rates of 2.32% and 2.47% at March 31, 2020 and 2019, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unsecured loans from banks and other financial institutions, Use Yen Cash due through 2025, interest 0.25% -0.83% (2020) and 0.30% - 0.70% (2019)	¥ 15,921	¥ 16,275	$ 146,055
Obligations under finance leases	839	512	7,697
Total	16,760	16,787	153,761
Less current portion	(2,066)	(971)	(18,954)
Long-term debt, less current portion	¥ 14,693	15,816,	$ 134,798

At March 31, 2020, property, plant and equipment with a total carrying value of ¥253 million ($2,321 thousand were pledged as collateral for short-term debt of ¥473 million ($4,339 thousand).

Annual maturities of long-term debt, excluding finance leases, at March 31, 2020, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 1,804	$ 16,550
2022	2,282	20,935
2023	3,104	28,477
2024	1,104	10,128
2025	2,604	23,889
2026 and thereafter	5,020	46,055

Annual maturities of lease obligations at March 31, 2020 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 261	$ 2,394
2022	257	2,357
2023	204	1,871
2024	79	724
2025	30	275
2026 and thereafter	5,020	46,055

Long-term loans from banks include syndicated loan agreements amounting to ¥3,000 million ($27,522 thousand) at March 31, 2020. In the event that any of the following covenants are violated, the Company may lose the benefit of the term for all the liabilities under these agreements.
These agreements include the following financial restriction provisions:

(1) The amount of equity in the consolidated balance sheet at the end of the fiscal year should be more than 75% of the amount as of the previous year or as of just before the end of the year that the syndicated loan agreements were entered into.

(2) Ordinary income in the consolidated statement of income should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary income in the consolidated statement of income for the year ended March 31, 2020 is ¥1,324 million ($12,146 thousand).

Long-term loans at March 31, 2020 include loan agreements amounting to ¥283 million ($2,596 thousand) that the Company had with lenders on a negotiation basis. In the event that any of the following covenants are violated, the Company may lose the benefit of the term for all the liabilities under these agreements.
These agreements include the following financial restriction provisions:

(1) The amount of equity in the consolidated balance sheet at the end of the fiscal year should be more than 75% of the amount as of the previous year.

(2) Ordinary income in the consolidated statement of income should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary income in the consolidated statement of income for the year ended March 31, 2020 is ¥1,324 million ($12,146 thousand).

6. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age, or caused by death, the employee is entitled to greater payments than in the case of voluntary termination.

The Company has contributory funded defined benefit pension plans. Certain consolidated subsidiaries have unfunded retirement benefit plans.

The liability for retirement benefits for subsidiaries' directors was ¥2 million ($18 thousand) and ¥1 million at March 31, 2020 and 2019, respectively.

The liability for employees' retirement benefits at March 31, 2020 and 2019, consisted of the following:

(1) The changes in defined benefit obligation for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 4,465	¥ 4,208	$ 40,963
Current service cost	354	473	3,247
Interest cost	53	52	486
Actuarial losses (gains)	(136)	(13)	(1,247)
Benefits paid	(309)	(249)	(2,834)
Change of scope of consolidation	-	(6)	-
Balance at end of year	¥ 4,427	¥ 4,465	$ 40,614

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 4,618	¥ 4,505	$ 42,366
Expected return on plan assets	85	82	779
Actuarial (gains) losses	(346)	(74)	(3,174)
Contributions from the employer	293	289	2,688
Benefits paid	(222)	(184)	(2,036)
Balance at end of year	¥ 4,428	¥ 4,618	$ 40,623

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2020 and 2019, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligation	¥ 4,147	¥ 4,163	$ 38,045
Plan assets	(4,428)	(4,618)	(40,623)
Total	(280)	(455)	(2,568)
Unfunded defined benefit obligation	279	301	2,559
Net liability (asset) for defined benefit obligation	¥ (1)	¥ (153)	$ (9)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for retirement benefits	¥ 279	¥ 301	$ 2,559
Asset for retirement benefits	(280)	(455)	(2,568)
Net liability (asset) for defined benefit obligation	¥ (1)	¥ (153)	$ (9)

(4) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥ 354	¥ 473	$ 3,247
Interest cost	53	52	486
Expected return on plan assets	(85)	(82)	(779)
Recognized actuarial (gains) losses	(109)	(58)	(1,000)
Net periodic benefit costs	¥ 213	¥ 384	$ 1,954

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial gains (losses)	¥ (319)	¥ (119)	$ (2,926)
Total	¥ (319)	¥ (119)	$ (2,926)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial gains (losses)	¥ 237	¥ 557	$ 2,174
Total	¥ 237	¥ 557	$ 2,174

(7) Plan assets

a. Components of plan assets

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

	2020	2019
Debt investments - domestic	33.5%	27.8%
Debt investments - international	13.0	9.1
Equity investments - domestic	21.1	25.3
Equity investments - international	20.4	26.4
Others	12.0	11.4
Total	100.0%	100.0%

b. Method of determining the expected rate of return on plan assets

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

(8) Assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	2.0%	2.0%
Recognition period of actuarial gain / loss	10 years	10 years

7. 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, 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.

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 reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, 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 stock acquisition rights

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 that is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. STOCK OPTIONS

The stock options outstanding as of March 31, 2020, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	5 directors 4 Audit & Supervisory Board members	11,700 shares	2008.9.19	¥ 1	From September 20, 2008 to September 19, 2038
2009 Stock Option	5 directors 5 Audit & Supervisory Board members	19,400 shares	2009.7.17	¥ 1	From July 18, 2009 to July 17, 2039
2010 Stock Option	6 directors 5 Audit & Supervisory Board members	20,700 shares	2010.7.20	¥ 1	From July 21, 2010 to July 20, 2040
2011 Stock Option	6 directors 5 Audit & Supervisory Board members	24,700 shares	2011.7.19	¥ 1	From July 20, 2011 to July 19, 2041
2012 Stock Option	6 directors 4 Audit & Supervisory Board members	34,700 shares	2012.7.19	¥ 1	From July 20, 2012 to July 19, 2042
2013 Stock Option	5 directors 4 Audit & Supervisory Board members	31,900 shares	2013.7.18	¥ 1	From July 19, 2013 to July 18, 2043
2014 Stock Option	4 directors 5 Audit & Supervisory Board members	21,300 shares	2014.7.18	¥ 1	From July 19, 2014 to July 18, 2044
2015 Stock Option	8 directors	22,400 shares	2015.7.21	¥ 1	From July 22, 2015 to July 21, 2045
2016 Stock Option	8 directors	19,400 shares	2016.7.20	¥ 1	From July 21, 2016 to July 20, 2046
2017 Stock Option	9 directors	22,100 shares	2017.7.21	¥ 1	From July 22, 2017 to July 21, 2047

Stock option activity is as follows:

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option
For the year ended March 31, 2019					
Non-vested					
March 31, 2018 Outstanding					
Granted					
Vested					
March 31, 2019 Outstanding					
Vested					
March 31, 2018 Outstanding	3,100	7,200	8,900	11,900	18,800
Vested					
Exercised		(2,100)	(2,000)	(3,100)	(5,300)
March 31, 2019 Outstanding	3,100	5,100	6,900	8,800	13,500
For the year ended March 31, 2020					
Non-vested					
March 31, 2019 Outstanding					
Granted					
Vested					
March 31, 2020 Outstanding					
Vested					
March 31, 2019 Outstanding	3,100	5,100	6,900	8,800	13,500
Vested					
Exercised					
Canceled					
March 31, 2020 Outstanding	3,100	5,100	6,900	8,800	13,500
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥	¥	¥	¥	¥
Fair value price at grant date	¥ 2,013	¥ 1,257	¥ 1,308	¥ 1,213	¥ 728

	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option
For the year ended March 31, 2019					
Non-vested					
March 31, 2018Outstanding					
Granted					
Vested					
March 31, 2019 Outstanding					
Vested					
March 31, 2018 Outstanding	19,300	13,800	20,300	19,400	22,100
Vested					
Exercised	(5,500)	(2,900)	(2,500)	(2,400)	(2,100)
Canceled					
March 31, 2019 Outstanding	13,800	10,900	17,800	17,000	20,000
For the year ended March 31, 2020					
Non-vested					
March 31, 2019 Outstanding					
Granted					
Vested					
March 31, 2020 Outstanding					
Vested					
March 31, 2019 Outstanding	13,800	10,900	17,800	17,000	20,000
Vested					
Exercised					
March 31, 2020- Outstanding	13,800	10,900	17,800	17,000	20,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥	¥	¥	¥	¥
Fair value price at grant date	¥ 872	¥ 901	¥ 904	¥ 1,106	¥ 1,116

Estimation of the number of stock options vested.
Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have been actually forfeited is reflected.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2020 and 2019.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Loss on revaluation of available-for-sale securities	¥ 72	¥ 24	$ 660
Tax loss carryforwards	685	870	6,284
Allowance for doubtful accounts	656	409	6,018
Accrued bonuses	253	247	2,321
Allowance for product warranties	182	238	1,669
Allowance for losses on construction contracts	253	176	2,321
Deferred gains or losses on hedges	19	26	174
Asset for employees' retirement benefit	21	-	192
Liability for employees' retirement benefits	81	87	743
Other	402	401	3,688
Total of deferred tax assets	¥ 2,627	¥ 2,482	$ 24,100
Valuation allowance related to Tax loss carryforward	(685)	(810)	(6,284)
Valuation allowance related to total deductible temporary difference, etc.	(1,549)	(1,204)	(14,211)
Total of valuation allowance	¥ (2,234)	¥ (2,015)	$ (20,495)
Total	¥ 392	¥ 467	$ 3,596
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (351)	¥ (696)	$ (3,220)
Asset for employees' retirement benefit	-	(35)	-
Other	(292)	(290)	(2,678)
Total	¥ (643)	¥ (1,021)	$ (5,899)
Net deferred tax liabilities	¥ (251)	¥ (553)	$ (2,302)

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2020 and 2019, were as follows:

	Millions of Yen						
March 31, 2020	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards (see note1)	¥ 93	¥ 7	¥ 27	¥ 6	¥ 9	¥ 539	¥ 685
Valuation allowance	¥ (93)	¥ (7)	¥ (27)	¥ (6)	¥ (9)	¥ (539)	¥ (685)
Deferred tax asset							

March 31, 2019	Millions of Yen 1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards (see note1)	¥ 2	¥ 120	¥ 4	¥ 26	¥ 6	¥ 709	¥ 870
Valuation allowance	¥ (2)	¥ (120)	¥ (4)	¥ (26)	¥ (6)	¥ (649)	¥ (810)
Deferred tax asset						59	¥ 59

March 31, 2020	Thousands of U.S. Dollars 1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards (see note1)	$ 853	$ 64	$ 247	$ 55	$ 82	$ 4,944	$ 6,284
Valuation allowance	$ (853)	$ (64)	$ (247)	$ (55)	$ (82)	$ (4,944)	$ (6,284)
Deferred tax asset							

note1: Figures for tax loss carryforward were the amounts multiplied by effective statutory tax rate.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2020, with the corresponding figures for 2019, is as follows:

	2020	2019
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	2.5	0.9
Dividend income not taxable for income tax purposes	(1.8)	(0.6)
Tax credit mainly for research and development costs	(1.6)	(0.6)
Inhabitant taxes	2.7	1.2
Equity method	(0.6)	(1.4)
Valuation allowance	29.2	(20.0)
Reconciliation of consolidation process	(17.2)	(3.2)
Other - net	0.6	(1.5)
Actual effective tax rate	44.4%	4.4%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥353 million ($3,238 thousand) and ¥482million for the years ended March 31, 2020 and 2019, respectively.

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy of the companies for Financial Instruments

The Companies use financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Investment securities, mainly equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are almost all less than five months. Although payables in foreign currencies are exposed to the market risk of fluctuations in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Almost all maturities of bank loans are less than four years after the balance sheet date. Although a part of such bank loans are exposed to the market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest-rate swaps.

Derivatives mainly include foreign currency forward contracts and interest-rate swaps that are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 12 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay debt according to the contractual terms. The Companies manage their credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Market risk management (foreign exchange risk and interest rate risk)

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

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

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

The basic principles of derivative transactions are approved by management at meetings held on a regular basis based on internal guidelines that prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliations of the transactions and balances with customers are performed and the transaction data is reported to the chief financial officer and the management, on a regular basis.

Liquidity risk management

The Company manages its liquidity risk by holding adequate volumes of liquid assets and through adequate financial planning by the corporate accounting department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Please see Note 12 for more details on the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 16,265	¥ 16,265	
Receivables-trade	25,726	25,539	¥ (187)
Investment securities	5,270	5,270	
Total	¥ 47,262	¥ 47,075	¥ (187)
Short-term borrowings	¥ 1,648	¥ 1,648	
Payables-trade	11,845	11,845	
Long-term debt	16,760	16,924	¥ (164)
Total	¥ 30,254	¥ 30,418	¥ (164)
Derivatives	¥ (89)	¥ (89)	

	Millions of Yen		
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 15,924	¥ 15,924	
Receivables-trade	25,777	25,772	¥ (4)
Investment securities	6,884	6,884	
Total	¥ 48,586	¥ 48,581	¥ (4)
Short-term borrowings	¥ 1,639	¥ 1,639	
Payables-trade	11,118	11,118	
Long-term debt	16,787	17,026	¥ (238)
Total	¥ 29,544	¥ 29,784	¥ (238)
Derivatives	¥ (113)	¥ (113)	

Current portion of long-term debt is included in long-term debt.

	Thousands of U.S. Dollars		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 149,220	$ 149,220	
Receivables-trade	236,018	234,302	$ (1,715)
Investment securities	48,348	48,348	
Total	$ 433,596	431,880	$ (1,715)
Short-term borrowings	$ 15,119	$ 15,119	
Payables-trade	108,669	108,669	
Long-term debt	153,761	155,266	$ (1,504)
Total	$ 277,559	$ 279,064	$ (1,504)
Derivatives	$ (816)	$ (816)	

Cash and Cash Equivalents

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

Receivables

The fair values of receivables are measured at the amount to be received at maturity, discounted at the Companies' assumed corporate discount rate, and an evaluation of potential losses.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments.

Fair value information for investment securities by classification is included in Note 3.

Payables and Short-Term Borrowings

The fair values of payables and short-term borrowings approximate fair value because of their short maturities.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

As a result, the fair values of such interest rate swaps are included in those of hedged items in Note 12.

Derivatives

Fair value information for derivatives is included in Note 12.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investments in equity instruments that do not have a quoted market price in an active market	¥ 2,641	¥ 2,642	$ 24,229
Trust funds	3	14	27

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

	Millions of Yen		
March 31, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 16,265		
Receivables	25,726	¥	
Total	¥ 41,991	¥	

	Thousands of U.S. Dollars		
March 31, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 149,220		
Receivables	236,018	$	
Total	$ 385,238	$	-

Please see Note 5 for annual maturities of long-term debt.

12. DERIVATIVES

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts to manage their interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Companies' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is not Applied

	Millions of Yen			
At March 31, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying JPY.	¥ 184		¥ (6)	¥ (6)
Buying EUR.	¥ 237		¥ 1	¥ 1

	Millions of Yen			
At March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying JPY.	¥ 850		¥ 11	¥ 11

	Thousands of U.S. Dollars			
At March 31, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying JPY.	$ 1,688		$ (55)	$ (55)
Buying EUR.	$ 2,174		$ 9	$ 9

Derivative Transactions to Which Hedge Accounting is Applied

		Millions of Yen		
At March 31, 2020	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 6,937		¥ (84)
Hedges for which the "deferred hedge" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 283	¥ 83	¥ (1)
Hedges for which the "exceptional" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 5,850	¥ 5,700	

		Millions of Yen		
At March 31, 2019	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 8,491		¥ (121)
Hedges for which the "deferred hedge" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 483	¥ 283	¥ (3)
Hedges for which the "exceptional" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥ 6,000	¥ 5,850	

		Thousands of U.S. Dollars		
At March 31, 2020	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$ 63,642	-	$ (770)
Hedges for which the "deferred hedge" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	$ 2,596	$ 761	$ (9)
Hedges for which the "exceptional" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	$ 53,669	$ 52,293	

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense. In addition, the fair value of such interest rate swaps in Note 12 is included in that of hedged items (i.e. long-term debt).

13. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized gain (loss) on available-for-sale securities:			
Gains (Losses) arising during the year	¥ (1,344)	¥ (483)	$ (12,330)
Reclassification adjustments to profit or loss	184	(94)	1,688
Amount before income tax effect	(1,160)	(578)	(10,642)
Income tax effect	344	176	3,155
Total	¥ (815)	¥ (401)	$ (7,477)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (Losses) arising during the year	¥ 22	¥ (193)	$ 201
Reclassification adjustments to profit or loss	1	3	9
Amount before income tax effect	23	(190)	211
Income tax effect	(7)	58	(64)
Total	¥ 16	¥ (132)	$ 146
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (102)	¥ (212)	$ (935)
Total	¥ (102)	¥ (212)	$ (935)
Defined retirement benefit plans:			
Gains (Losses) arising during the year	¥ (210)	¥ (61)	$ (1,926)
Reclassification adjustments to profit or loss	(109)	(58)	(1,000)
Amount before income tax effect	(319)	(119)	(2,926)
Income tax effect	101	39	926
Total	¥ (218)	¥ (80)	$ (2,000)
Share of other comprehensive loss in associates -			
Gains (Losses) arising during the year	¥ (2)	¥ (1)	$ (18)
Total	¥ (2)	¥ (1)	$ (18)
Total other comprehensive income (loss)	¥ (1,122)	¥ (828)	$ (10,293)

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2020 and 2019, is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2020:				
Basic EPS				
Net income available to common shareholders	¥ 543	27,090	¥ 20.07	$ 0.18
Effect of dilutive securities				
Stock acquisition rights		116		
Diluted EPS				
Net income for computation	¥ 543	27,207	¥ 19.98	$ 0.18
For the year ended March 31, 2019:				
Basic EPS				
Net income available to common shareholders	¥ 2,183	27,230	¥ 80.18	$ 0.72
Effect of dilutive securities				
Stock acquisition rights		116		
Diluted EPS				
Net income for computation	¥ 2,183	27,347	¥ 79.84	$ 0.71

Average number of common shares during the period is after deductions of 1) the number of shares of treasury stock and 2) the number of shares held by the ESOP Trust (46 thousand shares of March 31, 2020).

16. SUBSEQUENT EVENTS

Share repurchase

On May 26, 2020 the Company's Board of Directors resolved to repurchases of its own shares, pursuant to the articles of incorporation in accordance with Article 459, paragraph1, item1 of the Companies Act.

1. Reason for the repurchase of shares
   To increase capital efficiency and improve returns to shareholders
2. Class of shares to be repurchased
   Common stock of the Company
3. Aggregate number of shares to be repurchased
   Up to 600,000 shares
   Percentage against total number of issued shares (excluding own shares): 2.22%
4. Aggregate purchase price of shares
   Up to 450 million yen
5. Period in which repurchases may be made
   From June 1, 2020 through May 14, 2021
6. Method of repurchase
   Purchase through the Tokyo Stock Exchange
7. Others
   All acquired shares herein are anticipated to be retired on May 15, 2021 based on the resolution at the Board of Directors meeting in accordance with provisions in Article 178 of the Companies Act.

Accounting method for the stock benefit trust

On May 26, 2020 the Board of Directors resolved to reintroduce the ESOP trust.

To further improve benefits for employees, who play a critical role in our growth, the Board of Directors approved a resolution to establish an ESOP trust to serve as an employee incentive plan. The goals of this plan are to make employees more aware of results of operations and shareholder value as well as to achieve medium- to long-term growth in corporate value. A trust has been established that will provide benefits to employees belonging to the employee stock ownership plan who fulfill certain requirements.

Treasury stock remaining in trust – Regarding the accounting treatment of trust, apply the total amount method , based on practical handling of transactions in which the company's shares are delivered to employees through a trust (Practical Response Report No.30 March 26, 2015).

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2020, was approved at the Board of Directors meeting held on May 26, 2020:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.0 ($0.08) per share	¥ 243	$ 2,229

17. SEGMENT INFORMATION

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 for which 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.

1. Information about products and services

For the fiscal years ended March 31, 2020 and 2019, the total sales, operating income, and total assets of the Pump reporting segment exceeded 90% of the totals of the Companies, thus the Companies have omitted the disclosure of information about products and services.

2. Information about geographical areas

(1) Sales

Millions of Yen				
2020				
Japan	Asia	Middle East	Other	Total
¥ 25,799	¥ 8,306	¥ 8,929	¥ 4,090	¥ 47,126

Millions of Yen				
2019				
Japan	Asia	Middle East	Other	Total
¥ 24,471	¥ 8,168	¥ 11,196	¥ 4,318	¥ 48,154

Thousands of U.S. Dollars				
2020				
Japan	Asia	Middle East	Other	Total
$ 236,688	$ 76,201	$ 81,917	$ 37,522	$ 432,348

Note: Sales are classified by country or region based on the location of customers.

Property, plant and equipment

Millions of Yen				
2020				
Japan	Asia	Middle East	Other	Total
¥ 9,623	¥ 1,415	¥ 601	¥ 54	¥ 11,695

Millions of Yen				
2019				
Japan	Asia	Middle East	Other	Total
¥ 8,208	¥ 1,284	¥ 596	¥ 66	¥ 10,156

Thousands of U.S. Dollars				
2020				
Japan	Asia	Middle East	Other	Total
$ 88,284	$ 12,981	$ 5,513	$ 495	$ 107,293

3. Information about goodwill

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
	Pumps	Pumps	Pumps
Amortization of goodwill	¥ 5	¥ 15	$ 45
Goodwill	-	5	-

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