

Consolidated Financial Statements

**NHK Spring Co., Ltd.
and Consolidated Subsidiaries**

*For the years ended March 31, 2020 and 2019
with Independent Auditor's Report*

Independent Auditor's Report

The Board of Directors
NHK Spring Co., Ltd.

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

the Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Member and the Audit and Supervisory Board 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 Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2020

佐 野 康 一

Koichi Sano
Designated Engagement Partner
Certified Public Accountant

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

| | At March 31, | | |
|--|--------------------------|-----------|---|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i> |
| Assets | | | |
| Current assets: | | | |
| Cash and bank deposits <i>(Notes 6 and 21)</i> | ¥ 74,593 | ¥ 98,574 | \$ 685,598 |
| Notes and accounts receivable, trade <i>(Note 21)</i> | 134,315 | 139,689 | 1,234,514 |
| Allowance for doubtful notes and accounts | (136) | (118) | (1,252) |
| Inventories <i>(Note 7)</i> | 54,786 | 54,692 | 503,543 |
| Other current assets | 20,865 | 25,417 | 191,782 |
| Total current assets | 284,423 | 318,254 | 2,614,185 |
| Investments and long-term receivables: | | | |
| Investment securities <i>(Notes 11 and 21)</i> | 34,928 | 45,057 | 321,026 |
| Investments in unconsolidated subsidiaries and affiliated companies <i>(Note 21)</i> | 13,186 | 15,412 | 121,193 |
| Long-term loans receivable <i>(Note 21)</i> | 2,761 | 3,995 | 25,376 |
| Deferred tax assets <i>(Note 16)</i> | 9,081 | 8,161 | 83,468 |
| Net defined benefit asset <i>(Note 12)</i> | 1,942 | 4,670 | 17,845 |
| Other investments | 3,857 | 2,683 | 35,453 |
| Allowance for doubtful receivables | (1,053) | (776) | (9,674) |
| Total investments and long-term receivables | 64,702 | 79,202 | 594,687 |
| Property, plant and equipment: | | | |
| Buildings and structures | 153,590 | 148,400 | 1,411,672 |
| Machinery and transport equipment | 261,246 | 249,525 | 2,401,162 |
| Jigs, tools and equipment | 77,905 | 73,320 | 716,034 |
| Land | 31,149 | 31,007 | 286,298 |
| Construction in progress | 19,944 | 25,088 | 183,305 |
| | 543,834 | 527,340 | 4,998,471 |
| Less – Accumulated depreciation | (364,205) | (355,159) | (3,347,474) |
| Net property, plant and equipment | 179,629 | 172,181 | 1,650,997 |
| Intangible and other assets | | | |
| | 3,861 | 3,562 | 35,492 |
| Total assets <i>(Note 23)</i> | | | |
| | ¥532,615 | ¥573,199 | \$ 4,895,361 |

| | At March 31, | | |
|--|--------------------------|-----------------|---|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i> |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Short-term borrowings <i>(Notes 13 and 21)</i> | ¥ 3,420 | ¥ 3,315 | \$ 31,432 |
| Current portion of long-term debt <i>(Notes 13, 14 and 21)</i> | 20,944 | 21,103 | 192,497 |
| Current portion of convertible bond-type bonds with subscription rights to shares <i>(Notes 13 and 21)</i> | – | 11,099 | – |
| Notes and accounts payable, trade <i>(Note 21)</i> | 116,880 | 127,306 | 1,074,261 |
| Accrued expenses | 20,889 | 21,635 | 191,993 |
| Accrued income taxes <i>(Note 21)</i> | 3,039 | 2,933 | 27,929 |
| Allowance for directors bonuses | 236 | 270 | 2,178 |
| Other current liabilities <i>(Note 21)</i> | 13,491 | 23,574 | 124,005 |
| Total current liabilities | <u>178,899</u> | <u>211,235</u> | <u>1,644,295</u> |
| Long-term liabilities: | | | |
| Long-term debt <i>(Notes 13 and 21)</i> | 33,228 | 32,697 | 305,408 |
| Net defined benefit liability <i>(Note 12)</i> | 23,191 | 19,395 | 213,150 |
| Accrued retirement benefits for directors and corporate auditors | 615 | 586 | 5,657 |
| Accrued retirement benefits to corporate officers | 875 | 779 | 8,043 |
| Deferred tax liabilities <i>(Note 16)</i> | 3,812 | 7,357 | 35,034 |
| Other long-term liabilities <i>(Note 21)</i> | 5,441 | 5,089 | 50,007 |
| Total long-term liabilities | <u>67,162</u> | <u>65,903</u> | <u>617,299</u> |
| Guarantees and contingent liabilities <i>(Note 18)</i> | | | |
| Net assets: | | | |
| Shareholders' equity | | | |
| Common stock: | | | |
| Authorized: 600,000,000 shares | | | |
| Issued: 244,066,144 shares at March 31, 2020; | | | |
| 244,066,144 shares at March 31, 2019 | 17,010 | 17,010 | 156,338 |
| Capital surplus | 19,579 | 19,579 | 179,956 |
| Retained earnings <i>(Notes 17 and 25)</i> | 227,062 | 228,016 | 2,086,969 |
| Treasury stock | (8,868) | (7,518) | (81,510) |
| Total shareholders' equity | <u>254,783</u> | <u>257,087</u> | <u>2,341,753</u> |
| Accumulated other comprehensive income: | | | |
| Unrealized holding gain on securities | 14,643 | 21,350 | 134,586 |
| Translation adjustments | 8,117 | 5,625 | 74,613 |
| Retirement benefit liability adjustments <i>(Note 12)</i> | (6,555) | (2,928) | (60,252) |
| Total accumulated other comprehensive income | <u>16,205</u> | <u>24,047</u> | <u>148,947</u> |
| Non-controlling interests | 15,566 | 14,927 | 143,067 |
| Total net assets | <u>286,554</u> | <u>296,061</u> | <u>2,633,767</u> |
| Total liabilities and net assets | <u>¥532,615</u> | <u>¥573,199</u> | <u>\$ 4,895,361</u> |

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

| | Years ended March 31, | | |
|---|--------------------------|-----------|---|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i> |
| Net sales <i>(Note 23)</i> | ¥ 664,500 | ¥ 681,006 | \$ 6,107,537 |
| Cost of sales <i>(Note 15)</i> | 596,788 | 608,053 | 5,485,183 |
| Gross profit | 67,712 | 72,953 | 622,354 |
| Selling, general and administrative expenses <i>(Note 15)</i> | 46,997 | 46,303 | 431,954 |
| Operating profit <i>(Note 23)</i> | 20,715 | 26,650 | 190,400 |
| Other income (expenses): | | | |
| Interest income | 871 | 1,011 | 8,001 |
| Dividend income | 1,852 | 1,553 | 17,020 |
| Gain on sales of fixed assets <i>(Note 8)</i> | 284 | 1,456 | 2,606 |
| Real estate rent | 619 | 627 | 5,689 |
| Interest expenses | (304) | (297) | (2,793) |
| Equity in earnings of unconsolidated subsidiaries and affiliated companies | 984 | 1,103 | 9,041 |
| Exchange (loss) gain, net | (3,866) | 962 | (35,534) |
| Loss on impairment of long-lived assets <i>(Note 9)</i> | (4,687) | (11,525) | (43,083) |
| Loss on valuation of investment securities | (468) | (449) | (4,300) |
| Loss on valuation of shares of subsidiaries and affiliated companies <i>(Note 11)</i> | (694) | (612) | (6,382) |
| Loss on violation of antimonopoly laws <i>(Note 10)</i> | (3,203) | (155) | (29,437) |
| Other, net | 111 | (208) | 1,033 |
| | (8,501) | (6,534) | (78,139) |
| Profit before income taxes | 12,214 | 20,116 | 112,261 |
| Income taxes <i>(Note 16)</i> : | | | |
| Current | 6,259 | 10,287 | 57,523 |
| Deferred | 87 | 1,033 | 803 |
| | 6,346 | 11,320 | 58,326 |
| Profit | 5,868 | 8,796 | 53,935 |
| Profit attributable to non-controlling interests | 1,256 | 1,691 | 11,545 |
| Profit attributable to owners of parent | ¥ 4,612 | ¥ 7,105 | \$ 42,390 |
| | <i>(Yen)</i> | | <i>(U.S. dollars)</i> |
| Earnings per share <i>(Notes 1 (19) and 17)</i> | | | |
| – Basic | ¥ 19.46 | ¥ 29.97 | \$ 0.18 |
| – Diluted | – | 28.85 | – |
| Cash dividends per share | 17.00 | 24.00 | 0.16 |

Note: Diluted earnings per share is not presented for the year ended March 31, 2020 because there were no dilutive securities.

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

| | Years ended March 31, | | |
|--|--------------------------|-----------|---|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i> |
| Profit | ¥ 5,868 | ¥ 8,796 | \$ 53,935 |
| Other comprehensive income <i>(Note 22)</i> : | | | |
| Unrealized holding loss on securities | (6,734) | (6,610) | (61,893) |
| Translation adjustments | 2,955 | (2,072) | 27,157 |
| Retirement benefit liability adjustments | (3,720) | (2,212) | (34,191) |
| Share of other comprehensive loss of affiliated companies accounted for by the equity method | (388) | (175) | (3,567) |
| Total other comprehensive loss | (7,887) | (11,069) | (72,494) |
| Comprehensive loss | ¥ (2,019) | ¥ (2,273) | \$ (18,559) |
| Comprehensive loss attributable to: | | | |
| Owners of parent | ¥ (3,229) | ¥ (3,604) | \$ (29,684) |
| Non-controlling interests | 1,210 | 1,331 | 11,125 |

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

| | Shareholders' equity | | | | Total shareholders' equity | |
|--|--|-------------------------|--|--|----------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | | |
| | <i>(Millions of yen)</i> | | | | | |
| Balances as of April 1, 2019 | ¥17,010 | ¥19,579 | ¥228,016 | ¥(7,518) | ¥257,087 | |
| Changes during the fiscal year: | | | | | | |
| Dividends paid | | | (5,690) | | (5,690) | |
| Profit attributable to owners of parent | | | 4,612 | | 4,612 | |
| Change in scope of consolidation | | | 124 | | 124 | |
| Purchase of treasury stock | | | | (1,350) | (1,350) | |
| Disposal of treasury stock | | (0) | | 0 | 0 | |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes during the fiscal year | – | (0) | (954) | (1,350) | (2,304) | |
| Balances as of March 31, 2020 | ¥17,010 | ¥19,579 | ¥227,062 | ¥(8,868) | ¥254,783 | |
| | Accumulated other comprehensive income | | | | | |
| | Unrealized gain on securities | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| | <i>(Millions of yen)</i> | | | | | |
| Balances as of April 1, 2019 | ¥21,350 | ¥5,625 | ¥(2,928) | ¥24,047 | ¥14,927 | ¥296,061 |
| Changes during the fiscal year: | | | | | | |
| Dividends paid | | | | | | (5,690) |
| Profit attributable to owners of parent | | | | | | 4,612 |
| Change in scope of consolidation | | | | | | 124 |
| Purchase of treasury stock | | | | | | (1,350) |
| Disposal of treasury stock | | | | | | 0 |
| Net changes of items other than shareholders' equity | (6,707) | 2,492 | (3,627) | (7,842) | 639 | (7,203) |
| Total changes during the fiscal year | (6,707) | 2,492 | (3,627) | (7,842) | 639 | (9,507) |
| Balances as of March 31, 2020 | ¥14,643 | ¥8,117 | ¥(6,555) | ¥16,205 | ¥15,566 | ¥286,554 |

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

| | Shareholders' equity | | | | Total shareholders' equity | |
|--|--|-------------------------|--|--|----------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | | |
| | <i>(Millions of yen)</i> | | | | | |
| Balances as of April 1, 2018 | ¥17,010 | ¥19,579 | ¥229,163 | ¥(7,517) | ¥258,235 | |
| Changes during the fiscal year: | | | | | | |
| Dividends paid | | | (5,690) | | (5,690) | |
| Profit attributable to owners of parent | | | 7,105 | | 7,105 | |
| Change in scope of consolidation | | | (2,562) | | (2,562) | |
| Purchase of treasury stock | | | | (1) | (1) | |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders | | 0 | | | 0 | |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes during the fiscal year | – | 0 | (1,147) | (1) | (1,148) | |
| Balances as of March 31, 2019 | ¥17,010 | ¥19,579 | ¥228,016 | ¥(7,518) | ¥257,087 | |
| | Accumulated other comprehensive income | | | | | |
| | Unrealized holding gain on securities | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| | <i>(Millions of yen)</i> | | | | | |
| Balances as of April 1, 2018 | ¥27,935 | ¥7,355 | ¥(688) | ¥34,602 | ¥14,812 | ¥307,649 |
| Changes during the fiscal year: | | | | | | |
| Dividends paid | | | | | | (5,690) |
| Profit attributable to owners of parent | | | | | | 7,105 |
| Change in scope of consolidation | | | | | | (2,562) |
| Purchase of treasury stock | | | | | | (1) |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders | | | | | | 0 |
| Net changes of items other than shareholders' equity | (6,585) | (1,730) | (2,240) | (10,555) | 115 | (10,440) |
| Total changes during the fiscal year | (6,585) | (1,730) | (2,240) | (10,555) | 115 | (11,588) |
| Balances as of March 31, 2019 | ¥21,350 | ¥5,625 | ¥(2,928) | ¥24,047 | ¥14,927 | ¥296,061 |

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

| | Shareholders' equity | | | | Total shareholders' equity | |
|--|---|-------------------------|--|--|----------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | | |
| | <i>(Thousands of U.S. dollars) (Note 5)</i> | | | | | |
| Balances as of April 1, 2019 | \$156,338 | \$179,956 | \$2,095,739 | \$ (69,098) | \$2,362,935 | |
| Changes during the fiscal year: | | | | | | |
| Dividends paid | | | (52,299) | | (52,299) | |
| Profit attributable to owners of parent | | | 42,390 | | 42,390 | |
| Change in scope of consolidation | | | 1,139 | | 1,139 | |
| Purchase of treasury stock | | | | (12,412) | (12,412) | |
| Disposal of treasury stock | | (0) | | 0 | 0 | |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes during the fiscal year | – | (0) | (8,770) | (12,412) | (21,182) | |
| Balances as of March 31, 2020 | \$156,338 | \$179,956 | \$2,086,969 | \$ (81,510) | \$2,341,753 | |
| | Accumulated other comprehensive income | | | | | |
| | Unrealized holding gain on securities | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| | <i>(Thousands of U.S. dollars) (Note 5)</i> | | | | | |
| Balances as of April 1, 2019 | \$196,230 | \$51,700 | \$ (26,909) | \$221,021 | \$137,197 | \$2,721,153 |
| Changes during the fiscal year: | | | | | | |
| Dividends paid | | | | | | (52,299) |
| Profit attributable to owners of parent | | | | | | 42,390 |
| Change in scope of consolidation | | | | | | 1,139 |
| Purchase of treasury stock | | | | | | (12,412) |
| Disposal of treasury stock | | | | | | 0 |
| Net changes of items other than shareholders' equity | (61,644) | 22,913 | (33,343) | (72,074) | 5,870 | (66,204) |
| Total changes during the fiscal year | (61,644) | 22,913 | (33,343) | (72,074) | 5,870 | (87,386) |
| Balances as of March 31, 2020 | \$134,586 | \$74,613 | \$ (60,252) | \$148,947 | \$143,067 | \$2,633,767 |

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

| | Years ended March 31, | | |
|---|--------------------------|----------|---|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> <i>(Note 5)</i> |
| Cash flows from operating activities: | | | |
| Profit before income taxes | ¥ 12,214 | ¥ 20,116 | \$ 112,261 |
| Adjustments to reconcile profit before income taxes to net cash provided by operating activities: | | | |
| Depreciation and amortization | 26,408 | 25,001 | 242,723 |
| Increase (decrease) in net defined benefit liability | 507 | (569) | 4,664 |
| Exchange loss (gain) | 3,136 | (990) | 28,821 |
| Equity in earnings of unconsolidated subsidiaries and affiliated companies | (984) | (1,103) | (9,041) |
| Loss (gain) on disposal of property, plant and equipment | 45 | (1,169) | 413 |
| Loss on impairment of long-lived assets | 4,687 | 11,525 | 43,083 |
| Changes in operating assets and liabilities: | | | |
| Decrease in notes and accounts receivable, trade | 8,980 | 6,676 | 82,537 |
| Decrease (increase) in inventories | 348 | (5,417) | 3,199 |
| Decrease in notes and accounts payable, trade | (13,604) | (3,713) | (125,039) |
| Other, net | (5,115) | (13,562) | (47,025) |
| Net cash provided by operating activities | 36,622 | 36,795 | 336,596 |
| Cash flows from investing activities: | | | |
| Proceeds from sales of property, plant and equipment | 1,393 | 1,646 | 12,801 |
| Purchase of property, plant and equipment | (46,692) | (36,996) | (429,153) |
| Purchase of intangible assets | (728) | (584) | (6,688) |
| Purchase of investment securities | (22) | (4,849) | (201) |
| Proceeds from sales of investment securities | 22 | 0 | 205 |
| (Increase) decrease in time deposits | (96) | 72 | (882) |
| Disbursements for loans receivable | (450) | (2,087) | (4,138) |
| Collection of loans receivable | 596 | 620 | 5,482 |
| Other, net | 167 | (121) | 1,527 |
| Net cash used in investing activities | (45,810) | (42,299) | (421,047) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 18,600 | 25,000 | 170,956 |
| Repayment of long-term debt | (16,133) | (10,972) | (148,286) |
| Increase (decrease) in short-term borrowings | 1,168 | (1,514) | 10,740 |
| Proceeds from commercial paper | 28,000 | 20,000 | 257,353 |
| Repayment of commercial paper | (30,000) | (18,000) | (275,735) |
| Redemption of convertible bond-type bonds with subscription rights to shares | (10,646) | - | (97,849) |
| Payment for purchase of treasury stock | (1,350) | (1) | (12,412) |
| Cash dividends paid | (5,690) | (5,690) | (52,299) |
| Cash dividends paid to non-controlling shareholders | (572) | (1,215) | (5,255) |
| Other, net | (328) | (280) | (3,010) |
| Net cash (used in) provided by financing activities | (16,951) | 7,328 | (155,797) |
| Effect of exchange rate changes on cash and cash equivalents | 993 | 932 | 9,127 |
| Net (decrease) increase in cash and cash equivalents | (25,146) | 2,756 | (231,121) |
| Cash and cash equivalents at beginning of year | 98,403 | 95,007 | 904,443 |
| Increase in cash and cash equivalents resulting from subsidiaries newly included in consolidation | 844 | 640 | 7,761 |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | 214 | - | 1,956 |
| Cash and cash equivalents at end of year (Note 6) | ¥ 74,315 | ¥ 98,403 | \$ 683,039 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the year for: | | | |
| Interest | ¥ (302) | ¥ (286) | \$ (2,777) |
| Income taxes | (6,422) | (13,721) | (59,025) |

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

NHK Spring Co., Ltd. and Consolidated Subsidiaries

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(1) Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements of NHK Spring Co., Ltd. (the “Company”) and consolidated subsidiaries (collectively, the “Group”) have been prepared by the Company in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”). The accounts of the Company and its consolidated subsidiaries in Japan are maintained in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and in conformity with generally accepted accounting principles and practices prevailing in Japan.

Foreign consolidated subsidiaries of the Company maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

(2) Scope of consolidation and application of equity method

The Company had 70 subsidiaries at March 31, 2020 (70 at March 31, 2019). The accompanying consolidated financial statements for the year ended March 31, 2020 include the accounts of the Company and its 39 significant subsidiaries (38 in 2019).

The accounts of the remaining 31 unconsolidated subsidiaries for the year ended March 31, 2020 (32 in 2019) were excluded from consolidation since the aggregate amounts of these subsidiaries’ combined assets, net sales, profit and retained earnings were immaterial in relation to those of the consolidated financial statements of the Group.

1. Summary of Significant Accounting Policies (continued)

(2) Scope of consolidation and application of equity method (continued)

The Company had 11 (11 in 2019) affiliated companies at March 31, 2020. For the year ended March 31, 2020, the equity method has been applied to the investments in 4 of the major unconsolidated subsidiaries (4 in 2019) and 5 of the major affiliated companies (5 in 2019). The investments in the remaining unconsolidated subsidiaries and affiliated companies were stated at cost or less because they did not have a material effect on the consolidated financial statements.

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Group have been eliminated.

The difference between the cost of an investment in a consolidated subsidiary and the amount of the underlying equity in the net assets of the subsidiary is allocated to identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition.

Goodwill is amortized on a straight-line basis over a period within five years.

(3) Foreign currency translation

All asset and liability accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates prevailing at the year end. The components of net assets excluding non-controlling interests of foreign subsidiaries and affiliated companies are translated at historical rates. All income and expense accounts are translated at rates prevailing at the time of the transactions. The resulting translation differences are debited or credited to translation adjustments, or non-controlling interests in the consolidated balance sheets. Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the year end and the resulting gains and losses are included in profit or loss for the year.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(5) Inventories

Inventories are mainly stated at the lower of cost, determined by average cost, or market.

1. Summary of Significant Accounting Policies (continued)

(6) Investment securities

Available-for-sale securities categorized as “other securities” under applicable Japanese accounting standards for which market values are readily available are stated at fair market value at the balance sheet date, with unrealized gains or losses reported as a separate component of net assets, net of applicable income taxes. Available-for-sale securities for which market values are not readily available are stated at weighted average cost.

(7) Derivative financial instruments and hedge accounting

In accordance with applicable Japanese accounting standards, gains or losses arising from changes in the fair value of derivative financial instruments designated as “hedging instruments” are deferred as an asset or a liability until the gains or losses on the underlying hedged items or transactions are recognized.

In accordance with the exceptional treatment permitted under the Japanese accounting standard for foreign currency translation, the Company does not record certain forward foreign exchange contracts, currency swap contracts, foreign currency option contracts and certain foreign currency interest arrangements at market value but translates the underlying foreign currency denominated assets and liabilities hedged by derivative transactions into yen using the contractual rates under these arrangements, provided that such arrangements meet the hedging criteria specified under applicable Japanese accounting standards.

In addition, in accordance with the special treatment permitted under applicable Japanese accounting standards, the Company does not record certain interest-rate swap arrangements at market value but charges or credits net cash flows arising from the interest-rate swap arrangements, which satisfy the hedging criteria specified under the standard, to interest expenses arising from the hedged interest-bearing debt.

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

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the respective assets as prescribed by the Corporation Tax Act of Japan.

Buildings and structures at the Company’s headquarters are depreciated by the straight-line method.

The Company and its domestic consolidated subsidiaries compute depreciation for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 by the straight-line method.

The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gains or losses are reflected in income as incurred.

1. Summary of Significant Accounting Policies (continued)

(8) Property, plant and equipment (excluding leased assets) (continued)

Normal repairs and maintenance, including minor renewals and improvements, are charged to expenses as incurred.

(9) Intangible assets (excluding leased assets)

Intangible assets are amortized on a straight-line basis.

Expenditure related to computer software development for internal use is capitalized as an intangible asset and amortized on a straight-line basis over the estimated useful life (five years) of the software.

(10) Leases

Leased assets under finance lease contracts that transfer ownership to the lessee are depreciated by the same depreciation methods as applied to equivalent assets owned by the Group using the economic useful lives of the leased assets.

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated with the residual value of zero by the straight-line method using the terms of the contracts as the useful lives.

(11) Allowance for doubtful accounts

The Group provides an allowance for doubtful accounts at an amount calculated using a bad debt loss ratio primarily based on historical experience, plus the estimated uncollectible amount of individual receivables.

(12) Allowance for directors bonuses

Bonuses to directors are recorded on an accrual basis with a related charge to income.

(13) Retirement benefits for employees

The retirement benefit obligations for employees are attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Prior service costs are amortized as incurred by the straight-line method over a certain period (mainly 15 to 16 years), which is within the average remaining years of service of the eligible employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (10 to 16 years), which is within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries apply the simplified method where the amount required for voluntary early retirement at the fiscal year end is treated as retirement benefit obligations for calculating net defined benefit liability and retirement benefit expenses.

1. Summary of Significant Accounting Policies (continued)

(14) Accrued retirement benefits for directors and corporate auditors

As is customary practice in Japan, the Company and its domestic consolidated subsidiaries pay lump-sum retirement benefits to retiring directors or corporate auditors, the amounts of which are determined by internal rules. Although the payment of such retirement benefits is subject to approval by shareholders at the time of retirement/resignation, the Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all directors and corporate auditors at the year-end date.

(15) Accrued retirement benefits for corporate officers

The Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all corporate officers at the fiscal year end.

(16) Income taxes

The asset and liability method 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.

(17) Consumption taxes

In Japan, consumption taxes are imposed at rates of 8% or 10% on all domestic consumption of goods and services (with certain exceptions). Consumption taxes imposed on the Group's domestic sales to customers are withheld by the Group at the time of sale and are paid to the national government subsequently. Consumption taxes withheld upon sale and consumption taxes paid by the Group on purchases of goods and services are not included in the related amounts in the accompanying consolidated statements of income.

(18) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements in order to make them consistent with the current year's presentation.

(19) Earnings per share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of the outstanding subscription rights to shares.

2. Accounting Change

Certain foreign consolidated subsidiaries of the Group have applied IFRS 16, “Leases,” from the year ended March 31, 2020. IFRS 16 requires a lessee to recognize right-of-use assets and lease liabilities for substantially all leases on its balance sheet.

The effects of this accounting change on the consolidated financial statements for the year ended March 31, 2020 were immaterial.

3. Accounting Standards Issued but Not Yet Effective

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, issued on March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview

The ASBJ developed a comprehensive accounting standard for revenue recognition.

Revenue is recognized by applying the following five steps:

Step 1: Identify the contract with the 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

Step 5: Recognize revenue when (or as) each performance obligation is satisfied

(2) Expected date of adoption

The Company expects to adopt these standard and guidance from the beginning of the year ending March 31, 2022.

(3) Effects of adopting the standard and the guidance

The Company is currently evaluating the effects of adopting these standard and guidance on the consolidated financial statements.

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

(1) Overview

The ASBJ made certain revisions and issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” as a result of proposals submitted for consideration of enhancement of notes disclosure information on “accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly defined.”

When enhancing notes disclosure on “accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly defined,” note 1-2 of the Business Accounting Principles should be followed to avoid affecting accounting practices when requirements under the relating accounting standards are clearly defined.

3. Accounting Standards Issued but Not Yet Effective (continued)

(2) Expected date of adoption

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

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

(1) Overview

The ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates” as a result of comments submitted requesting consideration for notes disclosure requirement regarding sources of estimation uncertainty in the Japanese accounting standards since disclosure of such information is required in accordance with Paragraph 125 of International Accounting Standards (“IAS”) No. 1 “Presentation of Financial Statements” (“IAS 1”) issued by the International Accounting Standards Board (“IASB”) in 2003 and is highly useful for users of financial statements.

The ASBJ’s fundamental policies adopted for developing the “Accounting Standard for Disclosure of Accounting Estimates” are, in principle, to make reference to the requirements of Paragraph 125 of IAS 1 by presenting principles (disclosure objectives), not enhancing existing individual notes disclosures, and requiring each entity to determine specific contents of its disclosure along with the disclosure objectives.

(2) Expected date of adoption

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

4. Additional Information

Accounting estimates associated with the effects of coronavirus disease 2019 (COVID-19) pandemic

The accounting estimates on impairment of long-lived assets, recoverability of deferred tax assets and others, used in preparation of the Company’s consolidated financial statements for the year ended March 31, 2020 are based on the assumption that the effect of the COVID-19 pandemic will remain for a certain period in the year ending March 31, 2021, based on information available as of March 31, 2020.

There is a possibility that the COVID-19 pandemic may affect the result of operations and the financial position of the Group for the year ending March 31, 2021 and thereafter if the effects of COVID-19 are exacerbated or its effects are prolonged, as the above assumption is highly uncertain.

5. United States Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and the notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥108.8 = U.S.\$1, the approximate rate of exchange prevailing at March 31, 2020. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

6. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with an original maturity of three months or less that are exposed to minor risk of fluctuation in value.

A reconciliation of cash and bank deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at March 31, 2020 and 2019 is as follows:

| | At March 31, | | |
|---|--------------------------|-----------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Cash and bank deposits | ¥ 74,593 | ¥ 98,574 | \$ 685,598 |
| Bank deposits with maturity of over three months included in cash and bank deposits | (278) | (171) | (2,559) |
| Cash and cash equivalents | <u>¥ 74,315</u> | <u>¥ 98,403</u> | <u>\$ 683,039</u> |

7. Inventories

Inventories at March 31, 2020 and 2019 are as follows:

| | At March 31, | | |
|-----------------------------------|--------------------------|-----------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Merchandise and finished products | ¥ 20,237 | ¥ 19,960 | \$ 185,998 |
| Work in process | 9,413 | 9,888 | 86,514 |
| Raw materials and supplies | 18,017 | 18,786 | 165,595 |
| Other | 7,119 | 6,058 | 65,436 |
| Total | <u>¥ 54,786</u> | <u>¥ 54,692</u> | <u>\$ 503,543</u> |

8. Gain on Sales of Fixed Assets

Gain on sales of fixed assets is mainly comprised of gain on sales of land of ¥1,400 million for the year ended March 31, 2019.

9. Loss on Impairment of Long-Lived Assets

Year ended March 31, 2020

The Group has recorded impairment losses for the following assets.

| | | 2020 | | | |
|-----------------------------------|-------------------------------|-----------------------------------|-----------------------------------|------------------------------------|--------|
| Applications | Location | Type | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> | |
| Production facilities | Kitakami, Iwate Prefecture | Machinery and transport equipment | ¥ 92 | \$ 843 | |
| | | Construction in progress | 98 | 903 | |
| | | Other | 23 | 212 | |
| | Oshu, Iwate Prefecture | Machinery and transport equipment | 32 | 291 | |
| | | Construction in progress | 33 | 302 | |
| | | Other | 12 | 111 | |
| | Kurashiki, Okayama Prefecture | Buildings and structures | 74 | 683 | |
| | | Machinery and transport equipment | 431 | 3,963 | |
| | | Construction in progress | 10 | 90 | |
| | | Other | 114 | 1,051 | |
| | | Intangible assets | 13 | 114 | |
| | | United States of America | Buildings and structures | 701 | 6,446 |
| | | | Machinery and transport equipment | 1,772 | 16,289 |
| | Construction in progress | | 130 | 1,197 | |
| | Mexico | Other | 50 | 463 | |
| | | Buildings and structures | 140 | 1,283 | |
| Machinery and transport equipment | | 909 | 8,357 | | |
| Other | | 25 | 231 | | |
| Intangible assets | | 7 | 61 | | |
| Offices and warehouses | Aomori, Aomori Prefecture | Buildings and structures | 2 | 22 | |
| | Akita, Akita Prefecture | Land | | | |
| | Kanazawa, Ishikawa Prefecture | | 19 | 171 | |

9. Loss on Impairment of Long-Lived Assets (continued)

[Background of recognition of impairment losses]

The book value of the above production facilities was written down to the recoverable value and the difference was recorded as an impairment loss since recoverability of amounts invested is not expected due to declining profitability.

The book value of the above offices and warehouses was written down to the selling value and the difference was recorded as an impairment loss since these assets are expected to be sold.

[Method of grouping assets]

Individual asset items have been grouped by considering management accounting category. Idle assets are grouped by individual property.

[Method of calculating recoverable value]

The recoverable value of the production facilities in Kitakami, Iwate Prefecture, Oshu, Iwate Prefecture, Kurashiki, Okayama Prefecture, the United States of America and Mexico was determined as the net realizable value based on reasonable estimates using the real estate appraisal value and others.

9. Loss on Impairment of Long-Lived Assets (continued)

Year ended March 31, 2019

The Group has recorded impairment losses for the following assets.

| 2019 | | | |
|-----------------------------------|-------------------------------|-----------------------------------|--------------------------|
| Applications | Location | Type | <i>(Millions of yen)</i> |
| Production facilities | Kitakami, Iwate Prefecture | Buildings and structures | ¥ 25 |
| | | Machinery and transport equipment | 226 |
| | | Land | 1 |
| | | Construction in progress | 161 |
| | | Other | 84 |
| | | Buildings and structures | 36 |
| | Oshu, Iwate Prefecture | Machinery and transport equipment | 207 |
| | | Land | 39 |
| | | Construction in progress | 4 |
| | | Other | 29 |
| | | Buildings and structures | 817 |
| | | Machinery and transport equipment | 5,672 |
| | Hungary | Land | 22 |
| | | Other | 141 |
| | | Intangible assets | 150 |
| | | Buildings and structures | 811 |
| | | Machinery and transport equipment | 1,824 |
| | | Land | 20 |
| | United States of America | Other | 159 |
| | | Buildings and structures | 537 |
| Machinery and transport equipment | | 173 | |
| Construction in progress | | 246 | |
| Other | | 28 | |
| Intangible assets | | 7 | |
| Idle real estate | Yokohama, Kanagawa Prefecture | Buildings | 76 |
| | | Land | 30 |
| | Kitakami, Iwate Prefecture | | |

9. Loss on Impairment of Long-Lived Assets (continued)

[Background of recognition of impairment losses]

The book value of the above production facilities was written down to the recoverable value and the difference was recorded as an impairment loss since recoverability of amounts invested is not expected due to declining profitability.

The book value of the above idle real estate was written down to the recoverable value and the difference was recorded as an impairment loss since the land is not expected to be used in the future and there is no specific future usage plan.

[Method of grouping assets]

Individual asset items have been grouped by considering management accounting category. Idle assets are grouped by individual property.

[Method of calculating recoverable value]

The recoverable value of the production facilities in Kitakami, Iwate Prefecture, Oshu, Iwate Prefecture, Hungary, the United States of America and Mexico and idle real estate in Yokohama, Kanagawa Prefecture and Kitakami, Iwate Prefecture was determined as the net realizable value based on reasonable estimates using the real estate appraisal value and others.

10. Loss on Violation of Antimonopoly Laws

The components of loss on violation of antimonopoly laws are as follows:

| | <u>2020</u> | <u>2019</u> | <u>2020</u> |
|--------------------------|--------------------------|-------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Surcharge | ¥ 3,123 | ¥ – | \$ 28,699 |
| Lawyers' fees and others | 80 | 155 | 738 |

The Company and NHK International Corporation, a consolidated subsidiary in the United States, agreed with the United States Department of Justice to plead guilty and pay a criminal fine with regard to a violation of the United States Sherman Act (antitrust law) for manufacturing and sales of hard disk drive (HDD) suspensions. The United States Department of Justice filed a summary trial and a verdict was finalized for the trial. The payment of the fine was made accordingly.

The fine and other expenses including lawyers' fees to deal with investigations by the United States Department of Justice were recorded under other income (expenses) for the years ended March 31, 2020 and 2019.

11. Investment Securities

The aggregate cost, fair value and net unrealized gains or losses of investment securities at March 31, 2020 and 2019 for which market value was readily available are summarized as follows:

Other securities with market value

| | At March 31, 2020 | | |
|---|--------------------------|---|--------------------------------------|
| | Cost | Fair value (carrying amount) | Unrealized gains (losses) |
| | <i>(Millions of yen)</i> | | |
| Securities whose fair value exceeds their cost: | | | |
| Equity securities | ¥ 9,316 | ¥ 31,389 | ¥ 22,073 |
| Securities whose fair value does not exceed their cost: | | | |
| Equity securities | 3,201 | 2,588 | (613) |
| Total | ¥ 12,517 | ¥ 33,977 | ¥ 21,460 |
| | | | |
| | At March 31, 2019 | | |
| | Cost | Fair value (carrying amount) | Unrealized gains (losses) |
| | <i>(Millions of yen)</i> | | |
| Securities whose fair value exceeds their cost: | | | |
| Equity securities | ¥ 11,549 | ¥ 42,908 | ¥ 31,359 |
| Securities whose fair value does not exceed their cost: | | | |
| Equity securities | 1,430 | 1,199 | (231) |
| Total | ¥ 12,979 | ¥ 44,107 | ¥ 31,128 |

11. Investment Securities (continued)

| | At March 31, 2020 | | |
|--|------------------------------------|---|--------------------------------------|
| | Cost | Fair value (carrying amount) | Unrealized gains (losses) |
| | <i>(Thousands of U.S. dollars)</i> | | |
| Securities whose fair value exceeds their cost: | | | |
| Equity securities | \$ 85,628 | \$ 288,503 | \$ 202,875 |
| Securities whose fair value does not exceed their cost: | | | |
| Equity securities | 29,417 | 23,788 | (5,629) |
| Total | \$ 115,045 | \$ 312,291 | \$ 197,246 |

(Note) Impairment is recognized in case the fair market value decreases by 50% or more compared with the acquisition cost, except if a recovery is expected. If the fair value decreases by 30% or more but less than 50%, the possibility of recovery is assessed. If the Company determines that there is no possibility of recovery, an impairment loss is recognized.

Other securities which were sold in the year ended March 31, 2020 were as follows:

| | 2020 | | |
|-------------------|--------------------------|---------------------|---------------------|
| | Amount of sale | Gain on sale | Loss on sale |
| | <i>(Millions of yen)</i> | | |
| Equity securities | ¥ 22 | ¥ 9 | ¥ 3 |

| | 2020 | | |
|-------------------|------------------------------------|---------------------|---------------------|
| | Amount of sale | Gain on sale | Loss on sale |
| | <i>(Thousands of U.S. dollars)</i> | | |
| Equity securities | \$ 205 | \$ 80 | \$ 26 |

There were no other securities sold in the year ended March 31, 2019.

Impairment losses of ¥694 million (\$6,382 thousand) for shares of subsidiaries and affiliated companies and ¥468 million (\$4,300 thousand) for other securities were recognized during the year ended March 31, 2020. Impairment loss of ¥612 million for shares of subsidiaries and affiliated companies and ¥449 million for other securities were recognized during the year ended March 31, 2019.

11. Investment Securities (continued)

The aggregate carrying amount of the securities for which market value was not readily available at March 31, 2020 and 2019 is summarized as follows:

| | At March 31, | | |
|---|--------------------------|--------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Equity securities of non-listed companies | ¥ 951 | ¥ 950 | \$ 8,735 |
| | <u>¥ 951</u> | <u>¥ 950</u> | <u>\$ 8,735</u> |

12. Retirement Benefits for Employees

The Group has defined benefit plans and defined contribution plans such as corporate pension plans and lump-sum payment plans. The Group has primarily established cash balance plans, in which a hypothetical individual account is established for each participant. In addition to monthly contribution credits, interest credits based on market interest rates are also accumulated in the hypothetical individual accounts. Retirement benefit trusts are established for certain corporate pension plans and lump-sum payment plans.

Certain domestic consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses.

In addition to the above, certain domestic consolidated subsidiaries participate in multi-employer pension plans. These plans are accounted for in the same manner as a defined contribution plan when reasonable estimates for pension assets of the participating companies cannot be obtained.

12. Retirement Benefits for Employees (continued)**Defined Benefit Plans**

(1) The reconciliation between retirement benefit obligations at the beginning of the year and the end of the year (excluding plans applying the simplified method) is as follows:

| | 2020 | 2019 | 2020 |
|---|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Retirement benefit obligations at beginning of year | ¥56,270 | ¥54,651 | \$ 517,186 |
| Service costs | 2,838 | 2,655 | 26,088 |
| Interest costs | 367 | 347 | 3,378 |
| Actuarial gains or losses | 1,370 | 604 | 12,588 |
| Retirement benefits paid | (2,046) | (1,961) | (18,805) |
| Prior service costs | 880 | 59 | 8,085 |
| Other | (230) | (85) | (2,115) |
| Retirement benefit obligations at end of year | <u>¥59,449</u> | <u>¥56,270</u> | <u>\$ 546,405</u> |

(2) The reconciliation between plan assets at the beginning of the year and the end of the year (excluding plans applying the simplified method) is as follows:

| | 2020 | 2019 | 2020 |
|----------------------------------|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Plan assets at beginning of year | ¥45,209 | ¥46,941 | \$ 415,521 |
| Expected return on plan assets | 1,213 | 1,178 | 11,152 |
| Actuarial gains or losses | (4,128) | (2,843) | (37,939) |
| Contributions from employer | 953 | 953 | 8,763 |
| Retirement benefits paid | (1,171) | (1,019) | (10,767) |
| Other | (76) | (1) | (703) |
| Plan assets at end of year | <u>¥42,000</u> | <u>¥45,209</u> | <u>\$ 386,027</u> |

(3) The reconciliation between defined benefit liability of plans applying the simplified method at the beginning of the year and the end of the year is as follows:

| | 2020 | 2019 | 2020 |
|--|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Defined benefit liability at beginning of year | ¥ 3,664 | ¥ 3,529 | \$ 33,679 |
| Retirement benefit expenses | 487 | 471 | 4,476 |
| Retirement benefits paid | (225) | (212) | (2,070) |
| Contribution to the plans | (126) | (124) | (1,158) |
| Defined benefit liability at end of year | <u>¥ 3,800</u> | <u>¥ 3,664</u> | <u>\$ 34,927</u> |

12. Retirement Benefits for Employees (continued)

(4) The reconciliation between retirement benefit obligations and plan assets at the end of the year and defined benefit liability and defined benefit asset on the consolidated balance sheets is as follows:

| | 2020 | 2019 | 2020 |
|---|--------------------------|-----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Funded retirement benefit obligations | ¥ 42,441 | ¥ 42,815 | \$ 390,079 |
| Plan assets | (42,000) | (45,209) | (386,027) |
| | 441 | (2,394) | 4,052 |
| Unfunded retirement benefit obligations | 20,808 | 17,119 | 191,253 |
| Net defined benefit liability (asset) recorded on the consolidated balance sheets | <u>¥ 21,249</u> | <u>¥ 14,725</u> | <u>\$ 195,305</u> |
| Net defined benefit liability | ¥ 23,191 | ¥ 19,395 | \$ 213,150 |
| Net defined benefit asset | (1,942) | (4,670) | (17,845) |
| Net defined benefit liability (asset) recorded on the consolidated balance sheets | <u>¥ 21,249</u> | <u>¥ 14,725</u> | <u>\$ 195,305</u> |

(Note) The amounts in above table include plans applying the simplified method.

(5) The breakdown of retirement benefit expenses for the years ended March 31, 2020 and 2019 is as follows:

| | 2020 | 2019 | 2020 |
|--|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Service costs | ¥ 2,838 | ¥ 2,655 | \$ 26,088 |
| Interest costs | 367 | 347 | 3,378 |
| Expected return on plan assets | (1,213) | (1,178) | (11,152) |
| Amortization of actuarial gains or losses | 364 | 63 | 3,345 |
| Amortization of prior service costs | 954 | 188 | 8,765 |
| Retirement benefit expenses calculated using the simplified method | 487 | 471 | 4,476 |
| Retirement benefit expenses on defined benefit plans | <u>¥ 3,797</u> | <u>¥ 2,546</u> | <u>\$ 34,900</u> |

(6) The components of retirement benefit liability adjustments for the years ended March 31, 2020 and 2019 in other comprehensive income (before income tax effect) are as follows:

| | 2020 | 2019 | 2020 |
|---------------------------|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Prior service costs | ¥ (101) | ¥ (129) | \$ (934) |
| Actuarial gains or losses | 5,181 | 3,388 | 47,626 |
| Total | <u>¥ 5,080</u> | <u>¥ 3,259</u> | <u>\$ 46,692</u> |

12. Retirement Benefits for Employees (continued)

(7) The components of retirement benefit liability adjustments as of March 31, 2020 and 2019 in accumulated other comprehensive income (before income tax effect) are as follows:

| | <u>2020</u> | <u>2019</u> | <u>2020</u> |
|--|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Unrecognized prior service costs | ¥ (545) | ¥ (444) | \$ (5,013) |
| Unrecognized actuarial gains or losses | 9,988 | 4,807 | 91,798 |
| Total | <u>¥ 9,443</u> | <u>¥ 4,363</u> | <u>\$ 86,785</u> |

(8) Plan assets

(i) Breakdown of plan assets

The percentages of various assets to total plan assets by major category as of March 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------|-------------|-------------|
| Equity securities | 46% | 51% |
| Debt securities | 27 | 24 |
| General accounts | 16 | 15 |
| Other | 11 | 10 |
| Total | <u>100%</u> | <u>100%</u> |

(Note) 36% and 39% of the total plan assets are held by retirement benefit trusts, which are established for corporate pension plans, as of March 31, 2020 and 2019, respectively.

(ii) Determination of long-term expected rate of return

The long-term expected rate of return on plan assets is determined based on the current and the expected allocation of plan assets and the current and the long-term expected rates of return from various assets constituting the plan assets.

(9) Actuarial assumptions

The major actuarial assumptions for the years ended March 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Discount rates | | |
| Domestic plans | 0.0 – 0.3% | 0.0 – 0.3% |
| Foreign plans | 1.9 – 7.3% | 3.4 – 7.7% |
| Long-term expected rates of return on plan assets | | |
| Domestic plans | 2.0 – 3.0% | 2.0 – 3.0% |
| Foreign plans | – | – |

(Note) The benefit formula method is primarily applied (this does not reflect estimated future increases in points due to salary increases).

12. Retirement Benefits for Employees (continued)

Defined Contribution Plans

The required contributions to defined contribution plans of the Group, including multi-employer pension plans which are accounted for in the same manner as a defined contribution plan, were ¥1,516 million (\$13,933 thousand) and ¥1,510 million for the years ended March 31, 2020 and 2019, respectively.

13. Short-Term Borrowings and Long-Term Debt

The components of short-term borrowings, long-term debt, other interest-bearing debt and lease obligations due within one year as of March 31, 2020 and 2019 are as follows:

| | At March 31, | | |
|--|--------------------------|-----------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Short-term borrowings: | | | |
| Loans from banks and other financial institutions with weighted average interest rates of 1.707% and 1.814% at March 31, 2020 and 2019, respectively | ¥ 3,420 | ¥ 3,315 | \$ 31,432 |
| Current portion of long-term loans from banks and other financial institutions | 16,944 | 15,103 | 155,732 |
| Other interest-bearing debt (commercial paper) | 4,000 | 6,000 | 36,765 |
| Current portion of lease obligations | 404 | 293 | 3,718 |
| | <u>¥ 24,768</u> | <u>¥ 24,711</u> | <u>\$ 227,647</u> |

13. Short-Term Borrowings and Long-Term Debt (continued)*Long-term debt and lease obligations*

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

| | At March 31, | | |
|--|--------------------------|-----------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Bonds: | | | |
| U.S. dollar denominated convertible bond-type bonds with subscription rights to shares due 2019 | ¥ – | ¥ 11,099 | ¥ – |
| Loans from banks and other financial institutions with weighted average interest rates of 0.255% and 0.281% at March 31, 2020 and 2019, respectively | 50,172 | 47,800 | 461,140 |
| Lease obligations (excluding current portion) | 548 | 538 | 5,034 |
| | <u>50,720</u> | <u>59,437</u> | <u>466,174</u> |
| Less: current portion | <u>(16,944)</u> | <u>(26,202)</u> | <u>(155,732)</u> |
| | <u>¥ 33,776</u> | <u>¥ 33,235</u> | <u>¥ 310,442</u> |

Details of the convertible bond-type bonds with subscription rights to shares are as follows:

| | |
|---|--|
| Description | U.S. dollar denominated convertible bond-type bonds with subscription rights to shares due 2019 |
| Shares to be issued | Common stock |
| Issue price of subscription rights to shares | No consideration |
| Issue price of shares | \$10.90 |
| Total issue amount | \$100,000 thousand |
| Total issue amount of shares as a result of exercise of subscription rights to shares | – |
| Percentage of vested subscription rights to shares | 100% |
| Exercise period of subscription rights to shares | From October 6, 2014 to September 6, 2019 |
| Matters related to substitute payments | Upon exercise of each subscription right to shares, the corresponding bond shall be redeemed as a capital contribution in kind at the price equal to the face value of the bond. |

13. Short-Term Borrowings and Long-Term Debt (continued)

The aggregate annual maturities of long-term debt at March 31, 2020 are summarized as follows:

| Year ending March 31, | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|-----------------------|--------------------------|------------------------------------|
| 2022 | ¥ 13,517 | \$ 124,239 |
| 2023 | 11,601 | 106,628 |
| 2024 | 6,220 | 57,169 |
| 2025 and thereafter | 1,890 | 17,372 |
| | ¥ 33,228 | \$ 305,408 |

The year-by-year breakdown of lease obligations due as of March 31, 2020 is as follows:

| Year ending March 31, | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|-----------------------|--------------------------|------------------------------------|
| 2022 | ¥ 269 | \$ 2,475 |
| 2023 | 154 | 1,417 |
| 2024 | 89 | 812 |
| 2025 and thereafter | 36 | 330 |
| | ¥ 548 | \$ 5,034 |

14. Asset Retirement Obligations

(1) Summary of relevant asset retirement obligations

Asset retirement obligations include obligations associated with the removal of asbestos used in certain property, plant and equipment required under the “Ordinance on Prevention of Health Impairment due to Asbestos of Japan” at the time of their retirement and obligations associated with the duty to restore premises to their original condition at the time of vacating the property under real estate lease contracts for certain branches, offices and other locations.

(2) Calculation of the amount of relevant asset retirement obligations

Asset retirement obligations are calculated with the remaining useful lives of the relevant assets as the basis for the estimated period until expenditure and a discount rate of 2.1%.

(3) The changes in asset retirement obligations at March 31, 2020 and 2019 are as follows:

| | At March 31, | | |
|--|--------------------------|--------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Balance at beginning of year | ¥ 569 | ¥ 599 | \$ 5,232 |
| Increase due to change in estimates | 106 | 1 | 972 |
| Accretion expense | 0 | 0 | 1 |
| Decrease due to settlement of asset retirement obligations | (70) | (30) | (643) |
| Decrease due to change in estimates | – | (1) | – |
| Balance at end of year | <u>¥ 605</u> | <u>¥ 569</u> | <u>\$ 5,562</u> |

(4) Change in estimated amount of asset retirement obligations

During the years ended March 31, 2020 and 2019, the Company reviewed the expenditure amount expected to arise at the time of retirement of buildings and structures of consolidated subsidiaries. The Company obtained quotations and other new sources of information and consequently changed the estimated amount of the asset retirement obligations.

The effect of this change in estimates on profit or loss was immaterial.

15. Research and Development Expenses

Research and development expenses included in “Cost of sales” and “Selling, general and administrative expenses” amounted to ¥18,407 million (\$169,186 thousand) and ¥16,822 million for the years ended March 31, 2020 and 2019, respectively.

16. Income Taxes

The statutory tax rates in Japan for the years ended March 31, 2020 and 2019 was 30.4%.

At March 31, 2020 and 2019, significant components of deferred tax assets and liabilities are summarized as follows:

| | At March 31, | | |
|--|--------------------------|-------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Deferred tax assets: | | | |
| Net defined benefit liability | ¥ 7,394 | ¥ 5,463 | \$ 67,965 |
| Tax loss carryforwards (Note) | 4,706 | 4,526 | 43,250 |
| Accrued expenses | 3,649 | 3,312 | 33,543 |
| Accumulated impairment losses | 3,034 | 2,416 | 27,891 |
| Accrued employees' bonuses | 2,885 | 3,078 | 26,517 |
| Depreciation | 1,837 | 1,603 | 16,880 |
| Loss from securities revaluation | 919 | 909 | 8,445 |
| Loss on valuation of inventories | 807 | 747 | 7,418 |
| Other | 3,819 | 2,243 | 35,101 |
| Total gross deferred tax assets | 29,050 | 24,297 | 267,010 |
| Less: Valuation allowance for tax loss carryforwards (Note) | (4,600) | (4,513) | (42,284) |
| Less: Valuation allowance for deductible temporary differences | (6,378) | (4,203) | (58,616) |
| Total valuation allowance | (10,978) | (8,716) | (100,900) |
| Total gross deferred tax assets | 18,072 | 15,581 | 166,110 |
| Offset against deferred tax liabilities | (8,991) | (7,420) | (82,642) |
| Net deferred tax assets | ¥ 9,081 | ¥ 8,161 | \$ 83,468 |
| Deferred tax liabilities: | | | |
| Unrealized holding gain on securities | ¥ (7,353) | ¥ (10,282) | \$ (67,579) |
| Special tax purpose reserve | (2,748) | (2,823) | (25,259) |
| Other | (2,702) | (1,672) | (24,838) |
| Total deferred tax liabilities | ¥(12,803) | ¥ (14,777) | \$ (117,676) |
| Offset against deferred tax assets | 8,991 | 7,420 | 82,642 |
| Net deferred tax liabilities | ¥ (3,812) | ¥ (7,357) | \$ (35,034) |

16. Income Taxes (continued)

(Note) The expiration of tax loss carryforwards and the resulting net deferred tax assets at March 31, 2020 and 2019 were as follows:

| At March 31, 2020 | | | | | | | |
|--|--------------------|---------------------|--------------------------|------------------------|-----------------------|--------------------|---------|
| <i>(Millions of yen)</i> | | | | | | | |
| | Within one year | One to two years | Two to three years | Three to four years | Four to five years | Over five years | Total |
| Tax loss carryforwards (*1) | ¥ 100 | ¥ 193 | ¥ 18 | ¥ 25 | ¥ 241 | ¥ 4,129 | ¥ 4,706 |
| Valuation allowance for tax loss carryforwards | (100) | (193) | (18) | (25) | (241) | (4,023) | (4,600) |
| Net deferred tax assets relating to tax loss carryforwards | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 106 | ¥ 106 |

| At March 31, 2019 | | | | | | | |
|--|--------------------|---------------------|--------------------------|------------------------|-----------------------|--------------------|---------|
| <i>(Millions of yen)</i> | | | | | | | |
| | Within one year | One to two years | Two to three years | Three to four years | Four to five years | Over five years | Total |
| Tax loss carryforwards (*1) | ¥ 13 | ¥ 331 | ¥ 278 | ¥ 0 | ¥ 10 | ¥ 3,894 | ¥ 4,526 |
| Valuation allowance for tax loss carryforwards | (13) | (331) | (278) | (0) | (10) | (3,881) | (4,513) |
| Net deferred tax assets relating to tax loss carryforwards | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 13 | ¥ 13 |

| At March 31, 2020 | | | | | | | |
|--|--------------------|---------------------|--------------------------|------------------------|-----------------------|--------------------|----------|
| <i>(Thousands of U.S. dollars)</i> | | | | | | | |
| | Within one year | One to two years | Two to three years | Three to four years | Four to five years | Over five years | Total |
| Tax loss carryforwards (*1) | \$ 924 | \$ 1,772 | \$ 168 | \$ 230 | \$ 2,213 | \$37,943 | \$43,250 |
| Valuation allowance for tax loss carryforwards | (924) | (1,772) | (168) | (230) | (2,213) | (36,977) | (42,284) |
| Net deferred tax assets relating to tax loss carryforwards | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 966 | \$ 966 |

(*1) Tax loss carryforwards were calculated by applying the statutory tax rate.

16. Income Taxes (continued)

At March 31, 2020 and 2019, reconciliations of the statutory tax rate and the effective tax rate were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| Statutory tax rate | 30.4% | 30.4% |
| Different tax rates applied to subsidiaries | 0.8 | 5.5 |
| Loss on violation of antimonopoly laws | 7.8 | – |
| Permanent differences | (6.7) | (10.2) |
| Dividend income from the consolidated subsidiaries | 11.8 | 16.0 |
| Special deduction for research and development expenses | (3.6) | (2.9) |
| Investment tax credit | (1.4) | (0.8) |
| Difference in valuation allowances | 13.1 | 19.3 |
| Foreign tax credit | (0.4) | (0.6) |
| Other | 0.1 | (0.4) |
| Effective income tax rate | <u>51.9%</u> | <u>56.3%</u> |

17. Distributions of Retained Earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period or by resolution of the Board of Directors if certain conditions are met. The accounts for that period do not, therefore, reflect such distributions.

18. Guarantees and Contingent Liabilities

As of March 31, 2020 and 2019, the Group had the following guarantees:

| | At March 31, | | |
|---|--------------------------|-------------|------------------------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Borrowings from financial institutions by unconsolidated subsidiaries and affiliated subsidiaries, affiliated companies and employees | ¥ 1,111 | ¥ 1,968 | \$ 10,210 |

19. Leases

Finance lease transactions are depreciated by the straight-line method using the lease term as the useful life and a residual value of zero.

Non-cancellable operating lease commitments are as follows:

| | At March 31, | | |
|---------------------|--------------------------|-------------|------------------------------------|
| | 2020 | 2019 | 2020 |
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Due within one year | ¥ 258 | ¥ 243 | \$ 2,372 |
| Due over one year | 591 | 759 | 5,431 |
| Total | ¥ 849 | ¥1,002 | \$ 7,803 |

20. Derivative Financial Instruments

In the normal course of business, the Group utilizes derivative financial instruments, including forward foreign exchange contracts, currency swap contracts, foreign currency options and foreign currency swap contracts, to manage its exposure to adverse fluctuations in foreign exchange rates relating to receivables, payables and short/long-term debt denominated in foreign currencies. In addition, the Group uses interest-rate swap contracts to limit its exposure to losses in relation to short-term investments and debt with floating interest rates, resulting from adverse fluctuations in interest rates. The Group does not use derivatives for speculative or trading purposes.

[Derivatives not meeting the criteria for hedge accounting]

The contract amount (notional principal amount), estimated fair value of, and unrealized gain on, the outstanding contracts at March 31, 2020 and 2019 are summarized as follows:

| | At March 31, 2020 | | | |
|---|--|--------------------------|-------------------|----------------------------|
| | Contract amount (notional principal amount) | | | Unrealized gain |
| | Total | Over one year | Fair value | |
| | | <i>(Millions of yen)</i> | | |
| Currency swap contracts: | | | | |
| To receive Mexican peso/ to pay Japanese yen | ¥ 777 | ¥ 777 | ¥ 169 | ¥ 169 |

20. Derivative Financial Instruments (continued)

| | At March 31, 2019 | | | |
|---|--|--------------------------|-------------------|----------------------------|
| | Contract amount (notional principal amount) | | | |
| | Total | Over one year | Fair value | Unrealized gain |
| | <i>(Millions of yen)</i> | | | |
| Currency swap contracts: | | | | |
| To receive Mexican peso/ to pay Japanese yen | ¥ 777 | ¥ 777 | ¥ 43 | ¥ 43 |

| | At March 31, 2020 | | | |
|---|--|--------------------------|-------------------|----------------------------|
| | Contract amount (notional principal amount) | | | |
| | Total | Over one year | Fair value | Unrealized gain |
| | <i>(Thousands of U.S. dollars)</i> | | | |
| Currency swap contracts: | | | | |
| To receive Mexican peso/ to pay Japanese yen | \$ 7,140 | \$ 7,140 | \$ 1,554 | \$ 1,554 |

(Note 1) Fair value is measured based on quotes and others provided by financial institutions and others.

(Note 2) The above currency swap contracts are accounted for as derivatives meeting the criteria for hedge accounting with loans to consolidated subsidiaries as a hedged item on the non-consolidated financial statements of the Company. The above currency swap contracts became subject to the disclosure since loans to consolidated subsidiaries were eliminated on the consolidated financial statements and the hedge accounting is no longer to be applied.

[Derivatives meeting the criteria for hedge accounting]

The contract amount (notional principal amount) and estimated fair value of the outstanding contracts at March 31, 2020 and 2019 are summarized as follows:

| | | At March 31, 2020 | | | |
|--------------------------------------|-------------------|--|--------------|--------------------------|-------------------|
| | | Contract amount (notional principal amount) | | | |
| | | Hedged items | Total | Over one year | Fair value |
| | | <i>(Millions of yen)</i> | | | |
| Interest rate swap contracts: | | | | | |
| To receive floating/ to pay fixed | Long-term debt | ¥ 13,170 | ¥ 9,200 | (Note) | |

20. Derivative Financial Instruments (continued)

| | | At March 31, 2019 | | |
|--------------------------------------|-------------------|--|-------------------|--------|
| | | Contract amount (notional principal amount) | | |
| Hedged items | Total | Over one year | Fair value | |
| <i>(Millions of yen)</i> | | | | |
| Interest rate swap contracts: | | | | |
| To receive floating/ to pay fixed | Long-term debt | ¥ 13,110 | ¥ 9,170 | (Note) |
| | | At March 31, 2020 | | |
| | | Contract amount (notional principal amount) | | |
| Hedged items | Total | Over one year | Fair value | |
| <i>(Thousands of U.S. dollars)</i> | | | | |
| Interest rate swap contracts: | | | | |
| To receive floating/ to pay fixed | Long-term debt | \$121,048 | \$ 84,559 | (Note) |

(Note) The fair values of interest rate swap contracts meeting certain conditions for hedge accounting are included in that of the corresponding long-term debt because interest rate swap contracts are treated together with the long-term debt as the hedged item.

21. Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group invests only in short-term bank deposits and obtains financing through borrowings from banks or the issuance of bonds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described herein.

(2) Type of financial instruments and related risk

Receivables such as notes and accounts receivable, trade are exposed to customer credit risk. Receivables denominated in foreign currencies arising from global business transactions are exposed to foreign currency exchange fluctuation risk; however, the risk associated with principal export transactions is constantly maintained within the limits established based on historical experience and the exposures are hedged by forward exchange rate contracts. Equity investments are exposed to the risk of market price fluctuations; nevertheless, they mainly consist of equity of companies with which the Company has business relationships, and their fair values are evaluated quarterly and reported to the Board of Managing Directors. Payment terms of payables, such as notes and accounts payable, trade are mostly less than one year. Although payables in foreign currencies are exposed to foreign currency exchange fluctuation risk, those risks are constantly netted against the balance of receivables denominated in the same foreign currency. Borrowings and commercial papers are used to raise necessary funds for working capital and capital expenditures. Although some borrowings with floating interest rates are exposed to interest rate fluctuation risk, such exposure is hedged by using derivatives (interest rate swaps).

(3) Risk management for financial instruments

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

The Group monitors payment terms and the balances of receivables by individual customer in accordance with internal rules on management of accounts receivable and has a system to periodically assess the credit risk of the customers.

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

The Group mitigates foreign currency exchange fluctuation risks in connection with receivables and short/long-term debt denominated in foreign currencies by using exchange rate contracts for a certain proportion of such receivables and debt. In addition, the Company uses interest rate swap contracts for long-term debt to fix interest payments on borrowings with floating interest rates; therefore, there is no interest rate fluctuation risk exposure for interest payments on long-term debt.

21. Financial Instruments (continued)

(3) Risk management for financial instruments (continued)

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

The Group manages liquidity risk by timely making projection and revision of cash flow plans by the department in charge of finance based on reports from each relevant department.

(4) Supplementary explanation of estimated fair value of financial instruments

Not applicable

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2020 and 2019 are as follows:

| | At March 31, 2020 | | |
|--|----------------------------|-----------------------|-----------------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| | <i>(Millions of yen)</i> | | |
| (1) Cash and bank deposits | ¥ 74,593 | ¥ 74,593 | ¥ – |
| (2) Notes and accounts receivable, trade | 134,315 | 134,315 | – |
| (3) Investment securities | | | |
| Other securities | 33,977 | 33,977 | – |
| (4) Long-term loans receivable | 2,761 | 2,835 | 74 |
| Total assets | <u>¥ 245,646</u> | <u>¥ 245,720</u> | <u>¥ 74</u> |
| (1) Notes and accounts payable, trade | ¥ 116,880 | ¥ 116,880 | ¥ – |
| (2) Short-term borrowings | 3,420 | 3,420 | – |
| (3) Current portion of long-term debt | 20,944 | 20,944 | – |
| (4) Accrued income taxes | 3,039 | 3,039 | – |
| (5) Notes payable-facilities | 3,380 | 3,380 | – |
| (6) Long-term debt | 33,228 | 33,199 | (29) |
| (7) Long-term lease obligations | 548 | 545 | (3) |
| Total liabilities | <u>¥ 181,439</u> | <u>¥ 181,407</u> | <u>¥ (32)</u> |
| Derivative financial instruments | <u>¥ 169</u> | <u>¥ 169</u> | <u>¥ –</u> |

21. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

| At March 31, 2019 | | | |
|---|----------------------------|-----------------------|-----------------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| <i>(Millions of yen)</i> | | | |
| (1) Cash and bank deposits | ¥ 98,574 | ¥ 98,574 | ¥ – |
| (2) Notes and accounts receivable, trade | 139,689 | 139,689 | – |
| (3) Investment securities | | | |
| Other securities | 44,107 | 44,107 | – |
| (4) Long-term loans receivable | 3,995 | 4,105 | 110 |
| Total assets | <u>¥ 286,365</u> | <u>¥ 286,475</u> | <u>¥ 110</u> |
| (1) Notes and accounts payable, trade | ¥ 127,306 | ¥ 127,306 | ¥ – |
| (2) Short-term borrowings | 3,315 | 3,315 | – |
| (3) Current portion of long-term debt | 21,103 | 21,103 | – |
| (4) Accrued income taxes | 2,933 | 2,933 | – |
| (5) Notes payable-facilities | 7,309 | 7,309 | – |
| (6) Current portion of U.S. dollar denominated convertible bond-type bonds with subscription rights to shares | 11,099 | 10,982 | (117) |
| (7) Long-term debt | 32,697 | 32,661 | (36) |
| (8) Long-term lease obligations | 538 | 537 | (1) |
| Total liabilities | <u>¥ 206,300</u> | <u>¥ 206,146</u> | <u>¥ (154)</u> |
| Derivative financial instruments | ¥ 43 | ¥ 43 | ¥ – |

| At March 31, 2020 | | | |
|--|----------------------------|-----------------------|-----------------------------------|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| <i>(Thousands of U.S. dollars)</i> | | | |
| (1) Cash and bank deposits | \$ 685,598 | \$ 685,598 | \$ – |
| (2) Notes and accounts receivable, trade | 1,234,514 | 1,234,514 | – |
| (3) Investment securities | | | |
| Other securities | 312,291 | 312,291 | – |
| (4) Long-term loans receivable | 25,376 | 26,056 | 680 |
| Total assets | <u>\$2,257,779</u> | <u>\$2,258,459</u> | <u>\$ 680</u> |
| (1) Notes and accounts payable, trade | \$1,074,261 | \$1,074,261 | \$ – |
| (2) Short-term borrowings | 31,432 | 31,432 | – |
| (3) Current portion of long-term debt | 192,497 | 192,497 | – |
| (4) Accrued income taxes | 27,929 | 27,929 | – |
| (5) Notes payable-facilities | 31,070 | 31,070 | – |
| (6) Long-term debt | 305,408 | 305,144 | (264) |
| (7) Long-term lease obligations | 5,034 | 5,010 | (24) |
| Total liabilities | <u>\$1,667,631</u> | <u>\$1,667,343</u> | <u>\$ (288)</u> |
| Derivative financial instruments | \$ 1,554 | \$ 1,554 | \$ – |

21. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

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

Assets:

(1) Cash and bank deposits and (2) Notes and accounts receivable, trade

These assets are recorded using book values because fair values approximate book values due to their short-term maturities.

(3) Investment securities

The fair values of equity securities are determined using the quoted price at the stock exchange, and those of debt securities are determined using the quoted price obtained from the financial institutions.

Please see Note 11 “Investment Securities” for information on securities by holding purpose.

(4) Long-term loans receivable

The fair values of long-term loans receivable are determined by the present value, calculated based on the estimated amount of principal and interest receivable, reflecting the collectability and discounted using the interest rate of Japanese government bonds with the corresponding maturities.

Liabilities

(1) Notes and accounts payable, trade, (2) Short-term borrowings, (3) Current portion of long-term debt, (4) Accrued income taxes, and (5) Note payable-facilities

These payables are recorded using book values because fair values approximate book values due to their short-term maturities.

(6) Long-term debt and (7) Long-term lease obligations

The fair values of long-term debt and lease obligations are determined by discounting the aggregated values of the principal and interest using an assumed interest rate applied in case the same type of loans or leases should be newly made. Long-term debt with floating interest rates is hedged by interest rate swap contracts meeting certain conditions for hedge accounting, and the fair values are determined by discounting the aggregated values of the principal and interest accounted for together with the related interest rate swap contracts using the reasonably estimated interest rate to be applied when the same types of loans are newly made.

Derivative financial instruments:

Please see the Note 20 “Derivative Financial Instruments.”

21. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

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

| | <u>2020</u> | <u>2019</u> | <u>2020</u> |
|--|--------------------------|-------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Equity investments of unlisted subsidiaries and affiliated companies | ¥7,925 | ¥10,158 | \$72,844 |
| Other unlisted equity securities | 951 | 950 | 8,735 |

The items above are not included in “(3) Investment securities” because there is no market price and it is very difficult to determine their fair values.

(Note 3) Redemption schedule of monetary assets and investment securities with contractual maturities as of March 31, 2020

| | <i>(Millions of yen)</i> | | | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|-----------------------|
| | <u>Within one year</u> | <u>One to five years</u> | <u>Five to ten years</u> | <u>Over ten years</u> |
| Cash and bank deposits | ¥ 74,593 | ¥ – | ¥ – | ¥ – |
| Notes and accounts receivable, trade | 134,315 | – | – | – |
| Long-term loans receivable | – | 2,669 | 68 | 24 |
| Total | <u>¥ 208,908</u> | <u>¥ 2,669</u> | <u>¥ 68</u> | <u>¥ 24</u> |

| | <i>(Thousands of U.S. dollars)</i> | | | |
|--------------------------------------|------------------------------------|--------------------------|--------------------------|-----------------------|
| | <u>Within one year</u> | <u>One to five years</u> | <u>Five to ten years</u> | <u>Over ten years</u> |
| Cash and bank deposits | \$ 685,598 | \$ – | \$ – | \$ – |
| Notes and accounts receivable, trade | 1,234,514 | – | – | – |
| Long-term loans receivable | – | 24,535 | 625 | 216 |
| Total | <u>\$1,920,112</u> | <u>\$ 24,535</u> | <u>\$ 625</u> | <u>\$ 216</u> |

21. Financial Instruments (continued)

2. Fair values of financial instruments (continued)

(Note 4) Redemption schedule of short-term borrowings, long-term debt and long-term lease obligations as of March 31, 2020

(Millions of yen)

| | Within one year | One to two years | Two to three years | Three to four years | Four to five years | Over five years |
|-----------------------------|--------------------|---------------------|-----------------------|------------------------|-----------------------|--------------------|
| Short-term borrowings | ¥ 3,420 | ¥ – | ¥ – | ¥ – | ¥ – | ¥ – |
| Long-term debt | 20,944 | 13,517 | 11,601 | 6,220 | 1,890 | – |
| Long-term lease obligations | – | 269 | 154 | 89 | 34 | 2 |
| Total | <u>¥ 24,364</u> | <u>¥ 13,786</u> | <u>¥ 11,755</u> | <u>¥ 6,309</u> | <u>¥ 1,924</u> | <u>¥ 2</u> |

(Thousands of U.S. dollars)

| | Within one year | One to two years | Two to three years | Three to four years | Four to five years | Over five years |
|-----------------------------|--------------------|---------------------|-----------------------|------------------------|-----------------------|--------------------|
| Short-term borrowings | \$ 31,432 | \$ – | \$ – | \$ – | \$ – | \$ – |
| Long-term debt | 192,497 | 124,239 | 106,628 | 57,169 | 17,372 | – |
| Long-term lease obligations | – | 2,475 | 1,417 | 812 | 310 | 20 |
| Total | <u>\$223,929</u> | <u>\$126,714</u> | <u>\$108,045</u> | <u>\$ 57,981</u> | <u>\$ 17,682</u> | <u>\$ 20</u> |

22. Other Comprehensive Income

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

| | <u>2020</u> | <u>2019</u> | <u>2020</u> |
|---|--------------------------|-------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Unrealized holding loss on securities: | | | |
| Amount arising during year | ¥ (10,129) | ¥ (9,953) | \$ (93,099) |
| Reclassification adjustments | 462 | 449 | 4,246 |
| Amount before the adjustment of tax effect | <u>(9,667)</u> | <u>(9,504)</u> | <u>(88,853)</u> |
| Tax effect | 2,933 | 2,894 | 26,960 |
| Unrealized holding loss on securities | <u>(6,734)</u> | <u>(6,610)</u> | <u>(61,893)</u> |
| Translation adjustments: | | | |
| Amount arising during year | <u>2,955</u> | <u>(2,072)</u> | <u>27,157</u> |
| Retirement benefit liability adjustments: | | | |
| Amount arising during year | (5,496) | (3,449) | (50,517) |
| Reclassification adjustments | 414 | 190 | 3,808 |
| Amount before the adjustment of tax effect | <u>(5,082)</u> | <u>(3,259)</u> | <u>(46,709)</u> |
| Tax effect | 1,362 | 1,047 | 12,518 |
| Retirement benefit liability adjustments | <u>(3,720)</u> | <u>(2,212)</u> | <u>(34,191)</u> |
| Share of other comprehensive loss of affiliated companies accounted for by the equity method: | | | |
| Amount arising during year | <u>(388)</u> | <u>(175)</u> | <u>(3,567)</u> |
| Total other comprehensive loss | <u>¥ (7,887)</u> | <u>¥ (11,069)</u> | <u>\$ (72,494)</u> |

23. Segment Information

(1) Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about allocation of management resources and to assess performance.

The Company operates principally in four industrial segments: automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others based on manufacturing divisions of the Company. The main products of each segment are as follows:

| | |
|---|--|
| Automotive suspension springs: | Coil springs, stabilizer bars, leaf springs, torsion bars, stabilizer links, bellows, stabilinker and others |
| Automotive seating: | Seats, mechanical seating components, trim parts and others |
| Precision springs and components: | HDD suspensions and mechanical components, wire springs, flat springs, motor cores, LCD/semiconductor testing probe units, fastener (screw), precision machine components and others |
| Industrial machinery and equipment, and others: | Semiconductor processing products, ceramic products, spring mechanisms, pipe support systems, automatic parking systems, polyurethane products, metal substrates, security products, lighting equipment, golf club shafts and others |

(2) Calculation method of net sales, income, assets and other items by reportable segment

The accounting treatments for reportable segments are consistent with those described in Note 1. Summary of Significant Accounting Policies. Segment income is based on operating profit.

23. Segment Information (continued)**(3) Net sales, income, assets and other items by reportable segment**

| | Year ended March 31, 2020 | | | | | | |
|---|----------------------------------|--------------------|----------------------------------|--|-----------|-------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Adjustments | Consolidated total |
| | <i>(Millions of yen)</i> | | | | | | |
| Sales: | | | | | | | |
| Sales to external customers | ¥ 126,333 | ¥ 302,573 | ¥ 142,982 | ¥ 92,612 | ¥ 664,500 | ¥ – | ¥ 664,500 |
| Inter-segment sales | 1,669 | 355 | 1,814 | 10,128 | 13,966 | (13,966) | – |
| Net sales | ¥ 128,002 | ¥ 302,928 | ¥ 144,796 | ¥ 102,740 | ¥ 678,466 | ¥ (13,966) | ¥ 664,500 |
| Segment income | ¥ 2,709 | ¥ 6,960 | ¥ 6,244 | ¥ 4,802 | ¥ 20,715 | ¥ – | ¥ 20,715 |
| Segment assets | ¥ 98,976 | ¥ 109,670 | ¥ 119,409 | ¥ 82,943 | ¥ 410,998 | ¥ 121,617 | ¥ 532,615 |
| Other items: | | | | | | | |
| Depreciation and amortization | ¥ 6,215 | ¥ 5,402 | ¥ 9,898 | ¥ 3,122 | ¥ 24,637 | ¥ 1,771 | ¥ 26,408 |
| Investments in affiliated companies accounted for by the equity-method | 1,978 | 2,678 | 1,580 | 1,109 | 7,345 | – | 7,345 |
| Increase in property, plant and equipment and intangible and other assets | 15,156 | 5,571 | 14,462 | 2,953 | 38,142 | 1,709 | 39,851 |
| | Year ended March 31, 2019 | | | | | | |
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Adjustments | Consolidated total |
| | <i>(Millions of yen)</i> | | | | | | |
| Sales: | | | | | | | |
| Sales to external customers | ¥ 128,880 | ¥ 303,243 | ¥ 152,958 | ¥ 95,925 | ¥ 681,006 | ¥ – | ¥ 681,006 |
| Inter-segment sales | 1,778 | 122 | 1,863 | 9,919 | 13,682 | (13,682) | – |
| Net sales | ¥ 130,658 | ¥ 303,365 | ¥ 154,821 | ¥ 105,844 | ¥ 694,688 | ¥ (13,682) | ¥ 681,006 |
| Segment income | ¥ 6,193 | ¥ 4,435 | ¥ 9,792 | ¥ 6,230 | ¥ 26,650 | ¥ – | ¥ 26,650 |
| Segment assets | ¥ 108,429 | ¥ 125,427 | ¥ 121,173 | ¥ 87,129 | ¥ 442,158 | ¥ 131,041 | ¥ 573,199 |
| Other items: | | | | | | | |
| Depreciation and amortization | ¥ 5,403 | ¥ 6,044 | ¥ 9,302 | ¥ 2,656 | ¥ 23,405 | ¥ 1,596 | ¥ 25,001 |
| Investments in affiliated companies accounted for by the equity-method | 2,145 | 2,273 | 2,764 | 227 | 7,409 | – | 7,409 |
| Increase in property, plant and equipment and intangible and other assets | 12,548 | 6,544 | 14,842 | 8,816 | 42,750 | 2,226 | 44,976 |

23. Segment Information (continued)

(3) Net sales, income, assets and other items by reportable segment (continued)

| | Year ended March 31, 2020 | | | | | | |
|---|------------------------------------|--------------------|----------------------------------|--|--------------------|---------------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Adjustments | Consolidated total |
| | <i>(Thousands of U.S. dollars)</i> | | | | | | |
| Sales: | | | | | | | |
| Sales to external customers | \$1,161,147 | \$2,781,005 | \$1,314,175 | \$ 851,210 | \$6,107,537 | \$ – | \$6,107,537 |
| Inter-segment sales | 15,339 | 3,267 | 16,673 | 93,089 | 128,368 | (128,368) | – |
| Net sales | <u>\$1,176,486</u> | <u>\$2,784,272</u> | <u>\$1,330,848</u> | <u>\$ 944,299</u> | <u>\$6,235,905</u> | <u>\$ (128,368)</u> | <u>\$6,107,537</u> |
| Segment income | \$ 24,896 | \$ 63,973 | \$ 57,389 | \$ 44,142 | \$ 190,400 | \$ – | \$ 190,400 |
| Segment assets | \$ 909,707 | \$1,007,995 | \$1,097,505 | \$ 762,346 | \$3,777,553 | \$1,117,808 | \$4,895,361 |
| Other items: | | | | | | | |
| Depreciation and amortization | \$ 57,122 | \$ 49,651 | \$ 90,970 | \$ 28,699 | \$ 226,442 | \$ 16,281 | \$ 242,723 |
| Investments in affiliated companies accounted for by the equity-method | 18,185 | 24,610 | 14,522 | 10,194 | 67,511 | – | 67,511 |
| Increase in property, plant and equipment and intangible and other assets | 139,304 | 51,202 | 132,927 | 27,137 | 350,570 | 15,705 | 366,275 |

(Note 1) Adjustments for segment assets of ¥121,617 million (\$1,117,808 thousand) and ¥131,041 million at March 31, 2020 and 2019, respectively, include corporate assets not allocated to each reportable segment. Corporate assets consist mainly of cash and bank deposits that are not attributable to any reportable segment.

(Note 2) Adjustments for depreciation and amortization relate to the head office building.

(Note 3) Adjustments for increase in property, plant and equipment and intangible and other assets of ¥1,709 million (\$15,705 thousand) and ¥2,226 million at March 31, 2020 and 2019, respectively, relate to increased corporate assets that are not attributable to any reportable segment.

23. Segment Information (continued)

(4) Information by geographic area

| | As of/ Year ended March 31, 2020 | | | | |
|---|---|---------------------------------|-----------------|--------------|--------------|
| | Japan | United States of America | Thailand | Other | Total |
| | <i>(Millions of yen)</i> | | | | |
| Sales | ¥ 366,503 | ¥ 101,927 | ¥ 107,189 | ¥ 88,881 | ¥ 664,500 |
| Property, plant and equipment (including leased assets) | 109,674 | 24,835 | 21,625 | 24,169 | 180,303 |

| | As of/ Year ended March 31, 2019 | | | | |
|---|---|---------------------------------|-----------------|--------------|--------------|
| | Japan | United States of America | Thailand | Other | Total |
| | <i>(Millions of yen)</i> | | | | |
| Sales | ¥ 361,257 | ¥ 108,885 | ¥ 108,265 | ¥ 102,599 | ¥ 681,006 |
| Property, plant and equipment (including leased assets) | 106,854 | 27,851 | 17,541 | 20,594 | 172,840 |

| | As of/ Year ended March 31, 2020 | | | | |
|---|---|---------------------------------|-----------------|--------------|--------------|
| | Japan | United States of America | Thailand | Other | Total |
| | <i>(Thousands of U.S. dollars)</i> | | | | |
| Sales | \$ 3,368,595 | \$ 936,826 | \$ 985,191 | \$ 816,925 | \$ 6,107,537 |
| Property, plant and equipment (including leased assets) | 1,008,032 | 228,266 | 198,761 | 222,135 | 1,657,194 |

(5) Information on major customers

| Name of customer | Year ended March 31, 2020 | | Reportable segments |
|-------------------------|--|--|---|
| | Net sales <i>(Millions of yen)</i> | Net sales <i>(Thousands of U.S. dollars)</i> | |
| SUBARU CORPORATION | ¥ 68,294 | \$ 627,706 | Automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others |

For the year ended March 31, 2019, information on major customers is omitted since there is no external customer with a sales amount of 10% or more of the Group's net sales.

23. Segment Information (continued)**(6) Information on impairment loss of long-lived assets by reportable segment**

| | Year ended March 31, 2020 | | | | | | |
|-----------------|----------------------------------|--------------------|----------------------------------|--|---------|----------------------------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
| | <i>(Millions of yen)</i> | | | | | | |
| Impairment loss | ¥ 3,735 | ¥ 931 | ¥ – | ¥ 21 | ¥ 4,687 | ¥ – | ¥ 4,687 |

| | Year ended March 31, 2019 | | | | | | |
|-----------------|----------------------------------|--------------------|----------------------------------|--|----------|----------------------------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
| | <i>(Millions of yen)</i> | | | | | | |
| Impairment loss | ¥ 9,329 | ¥ 842 | ¥ 1,278 | ¥ – | ¥ 11,449 | ¥ 76 | ¥ 11,525 |

| | Year ended March 31, 2020 | | | | | | |
|-----------------|------------------------------------|--------------------|----------------------------------|--|-----------|----------------------------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
| | <i>(Thousands of U.S. dollars)</i> | | | | | | |
| Impairment loss | \$ 34,327 | \$ 8,563 | \$ – | \$ 193 | \$ 43,083 | \$ – | \$ 43,083 |

(7) Information on amortization and unamortized balance of goodwill by reportable segment

| | As of/ Year ended March 31, 2020 | | | | | | |
|---------------------|---|--------------------|----------------------------------|--|-------|----------------------------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
| | <i>(Millions of yen)</i> | | | | | | |
| Amortization | ¥ 0 | ¥ – | ¥ – | ¥ – | ¥ 0 | ¥ – | ¥ 0 |
| Unamortized balance | – | – | – | – | – | – | – |

| | As of/ Year ended March 31, 2019 | | | | | | |
|---------------------|---|--------------------|----------------------------------|--|-------|----------------------------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
| | <i>(Millions of yen)</i> | | | | | | |
| Amortization | ¥ 1 | ¥ – | ¥ – | ¥ – | ¥ 1 | ¥ – | ¥ 1 |
| Unamortized balance | 0 | – | – | – | 0 | – | 0 |

| | As of/ Year ended March 31, 2020 | | | | | | |
|---------------------|---|--------------------|----------------------------------|--|-------|----------------------------------|--------------------|
| | Automotive suspension springs | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
| | <i>(Thousands of U.S. dollars)</i> | | | | | | |
| Amortization | \$ 2 | \$ – | \$ – | \$ – | \$ 2 | \$ – | \$ 2 |
| Unamortized balance | – | – | – | – | – | – | – |

24. Related Party Transactions

There were no related party transactions to be disclosed for the years ended March 31, 2020 and 2019.

25. Subsequent Event

[Distribution of retained earnings]

The following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2020, was approved by the shareholders of the Company at the Annual General Meeting of Shareholders held on June 25, 2020:

| | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|---|------------------------------|--|
| | <u> </u> | <u> </u> |
| Cash dividends of ¥5.0 (\$0.05) per share | ¥ 1,177 | \$ 10,819 |