

**Shibaura Machine**

The cover features a background of overlapping, curved, grayscale bands that create a sense of motion and depth. A large, dark gray circle is positioned in the upper right quadrant, containing the text 'Annual Report 2020'.

**Annual  
Report  
2020**

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# **Corporate Principles of SHIBAURA MACHINE GROUP**

## **Corporate Identity**

**We will contribute to maximizing value for our customers around the world.**

## **Basic Management Policy**

### **Adapting to the times and innovating**

We remain a company which adopts the latest technologies, adapts and innovates without fear of change.

### **Customer satisfaction which exceeds expectations**

We not only meet expectations, but also achieve customer satisfaction which exceeds expectations.

### **Contributing to society by helping to create infrastructure**

We take pride in our involvement in the industrial base and benefiting society everywhere.

### **Developing human resources for the next generation**

We will continue to nurture people who are responsible, take pride in their work, and develop their skills.

### **Appreciation, inspiration, and passion**

We aim to share the excitement of creating solutions while remaining thankful to our customers, business partners, and families.

# Greetings

Since the SHIBAURA MACHINE Group was founded in 1949, it has played a role in helping Japan and the world develop by supplying the machines required by industry. Currently, we are aiming to become a “comprehensive machinery manufacturer which supports the world’s ‘monozukuri’ by focusing on four strategic key phrases: “energy and environment”, “improving labor productivity”, “IoT and ICT”, and “handling new materials”. These four strategic key phrases are important for the automobile, electronics, optical, and nanotechnology industries which are in the spotlight today, because we will be developing, manufacturing, selling, and providing retrofit after-sales services and enhanced system engineering for injection molding machines, die casting machines, extrusion machines, micro-pattern imprinting machines, precision machines, machine tools, electronic control devices, industrial robots, etc.

From April 1, 2020, our company name was changed from “TOSHIBA MACHINE CO., LTD.” to “SHIBAURA MACHINE CO., LTD.”

We started business as a machine tool manufacturer in 1938 under the SHIBAURA name, and our SHIBAURA brand, which we continue to use, is still widely recognized around the world, especially in the machine tool industry.

We have continued to evolve by contributing to society through “monozukuri”, which is imbued into our company’s DNA. The new company name shows we do not forget our DNA origins and will continue to evolve together with our customers in the future.

A handwritten signature in black ink, appearing to read "A. Sakamoto". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

## **Corporate Information** (as of March 31, 2020)

|                                |                                                           |
|--------------------------------|-----------------------------------------------------------|
| Company Name:                  | TOSHIBA MACHINE CO., LTD.*                                |
| Headquarters:                  | 2068-3, Ooka, Numazu-shi,<br>Shizuoka-ken 410-8510, Japan |
| Established:                   | 1949                                                      |
| Capital:                       | ¥12,484 million                                           |
| Shares of Common Stock issued: | 29,977,106 shares                                         |
| Number of Shareholders:        | 9,072                                                     |
| Number of Employees:           | 1,796 (Consolidated: 3,360)                               |

\* our company name was changed from “TOSHIBA MACHINE CO., LTD.” to “SHIBAURA MACHINE CO., LTD.” on April 1, 2020.

## Foreword 2020

In the fiscal year ended March 2020, the world economy saw various issues including continuing slowdown of economy in China and other countries because of the impact of prolonged international trade issues and British exit from EU, and the economic outlook still remains unclear. Japanese economy was also affected by the decelerating world economy and the conditions of exports and productions were aggravated. In addition, outbreak of COVID-19 pandemic had an impact from late Q4 of the fiscal year and economic activities were significantly limited and the world economy shrank rapidly.

With respect to the machinery industry of which our Group is a part, companies were continuously careful about making capital investments both domestic and overseas, which was especially conspicuous in automobile industry, and thus we were in severe business circumstances.

Under such economic conditions, our Group reviewed our mid-term management plan, the “Revolution E10 Plan” which was started on April 1, 2019 and announced “Management Reform Plan” on February 4, 2020. Based on this reform plan, we are addressing the reform to transform ourselves into a highly profitable company.

In the fiscal year ended March 2020, orders were 94,224 million yen (down 29.9 percent from our previous consolidated fiscal year) because companies were refraining from capital investments due to factors including an impact of spreading COVID-19 and sales were 116,761 million yen (down 0.5 percent from our previous consolidated fiscal year). As for profit and loss, operating profit was 3,529 million yen (down 8.0 percent from our previous consolidated fiscal year), ordinary profit was 3,825 million yen (down 31.4 percent from our previous consolidated fiscal year), and net income attributable to owners of parent was 7,338 million yen (up 79.9 percent from our previous consolidated fiscal year) due to gains on sales of affiliates’ shares.

In fiscal year ended March 2020, we had dividends of 42.5 yen per share at the end of the second quarter. Our year-end dividend was also 42.5 yen per share.

Outlook of economic conditions is expected to remain unclear in the coming months or years because domestic and overseas economic circumstances are deteriorated due to the effect of

COVID-19. In the machinery industry, rapid recovery of equipment demand is unlikely although some improvement of the same demand is expected when COVID-19 infection comes to subside. Severe business conditions are forecast to continue for some time.

Under these circumstances, we will strive to increase orders we receive by focusing our efforts on those fields including infrastructure, energy and new materials in Japan and other countries where equipment demand is expected to improve in late fiscal year ending March 2021, being driven by economic policies introduced by governments in many countries. Furthermore, we will also focus on robot and IT fields in view of the reformation of work style as well as automation and labor-saving needs in production process that are expected to increase in society after COVID-19 pandemic subsided.

Additionally, our Group will endeavor to reform our organization into a highly profitable company by carrying out various measures based on the “Management Reform Plan”, including further improvement of production efficiency of factories both in Japan and overseas countries, Group-wide measures of total cost reduction, reduction of fixed costs through voluntary retirement and other measures and promotion of investments in growth fields.

## FINANCIAL HIGHLIGHTS (consolidated)

|                                                         | 2020                           | 2019     | 2018     | 2017     | 2016     |
|---------------------------------------------------------|--------------------------------|----------|----------|----------|----------|
| Net sales                                               | ¥116,761<br><b>\$1,072,876</b> | ¥117,405 | ¥116,862 | ¥111,327 | ¥117,259 |
| Cost of sales                                           | ¥83,301<br><b>\$765,428</b>    | ¥84,493  | ¥83,712  | ¥79,350  | ¥85,004  |
| Selling, general and administrative expenses            | ¥29,930<br><b>\$275,020</b>    | ¥29,078  | ¥28,509  | ¥27,503  | ¥28,448  |
| Operating income                                        | ¥3,529<br><b>\$32,428</b>      | ¥3,834   | ¥4,640   | ¥4,473   | ¥3,806   |
| Net income before income taxes                          | ¥12,648<br><b>\$116,218</b>    | ¥5,742   | ¥6,860   | ¥3,523   | ¥7,608   |
| Income taxes                                            | ¥5,309<br><b>\$48,786</b>      | ¥1,662   | ¥1,844   | ¥1,747   | ¥2,802   |
| Net income                                              | ¥7,338<br><b>\$67,433</b>      | ¥4,079   | ¥5,016   | ¥1,776   | ¥4,806   |
| Comprehensive income                                    | ¥5,784<br><b>\$53,147</b>      | ¥3,475   | ¥5,789   | ¥2,268   | ¥1,197   |
| Per common share:                                       |                                |          |          |          |          |
| Net income                                              | ¥304.06<br><b>\$2.79</b>       | ¥169.03  | ¥207.83  | ¥59.37   | ¥158.07  |
| Cash dividends                                          | ¥85.00<br><b>\$0.78</b>        | ¥45.00   | ¥14.00   | ¥12.00   | ¥12.00   |
| Total assets                                            | ¥154,283<br><b>\$1,417,652</b> | ¥150,724 | ¥148,763 | ¥138,373 | ¥156,346 |
| Net assets                                              | ¥87,018<br><b>\$799,582</b>    | ¥83,197  | ¥81,334  | ¥77,120  | ¥93,345  |
| Capital expenditures<br>(property, plant and equipment) | ¥1,741<br><b>\$15,998</b>      | ¥1,195   | ¥4,687   | ¥1,335   | ¥1,547   |
| Depreciation                                            | ¥1,781<br><b>\$16,368</b>      | ¥1,868   | ¥2,049   | ¥1,730   | ¥1,756   |
| R & D costs                                             | ¥2,378<br><b>\$21,851</b>      | ¥1,835   | ¥1,899   | ¥1,648   | ¥1,668   |
| Number of employees                                     | 3,360                          | 3,346    | 3,273    | 3,236    | 3,286    |

Note 1: In millions of yen (thousands of U.S. dollars), except for per-share data and number of employees.

Note 2: Yen amounts have been translated into U.S. dollars, for convenience only, at the exchange rate of ¥108.83=U.S.\$1. See Note 3 of the Notes to the Consolidated Financial Statements.

Note 3: SHIBAURA MACHINE CO., LTD. executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2018. Net income per share is recalculated on the assumption that the consolidation of shares was executed at the beginning of the year ended March 31, 2016. In addition, the cash dividend per share at the end of March 31, 2019 is the sum of the interim dividend ¥7.50 and the year-end dividend ¥37.50. Since the interim dividend amount is ¥37.50 when converted based on the consolidation of shares, the annual dividend amount including the ¥37.50 year-end dividend amount is ¥75.00 per share.

Note 4: The Companies have adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018). This accounting standard has been retrospectively applied to figures for the beginning of the year ended March 31, 2016.



## Overseas Operations for Fiscal Year Ended March 31, 2020

Overseas sales in the fiscal year ended March 2020 were 61,367 million yen, which was 6,739 million yen less than the previous year.

Looking at overseas sales by region, in North America, although there was continuous demand for machine tools, sales decreased by 4,085 million yen from the previous year because of decreased demand for injection molding machines.

In Southeast Asia, sales increased by 401 million yen from the previous year because of increased demand for die casting machines and machine tools.

In India, although demand for machine tools increased, sales decreased by 1,325 million yen from the previous year due to decreased demand for injection molding machines.

In Europe, sales decreased by 202 million yen from the previous year due to decreased demand for injection molding machines, die casting machines and machine tools.

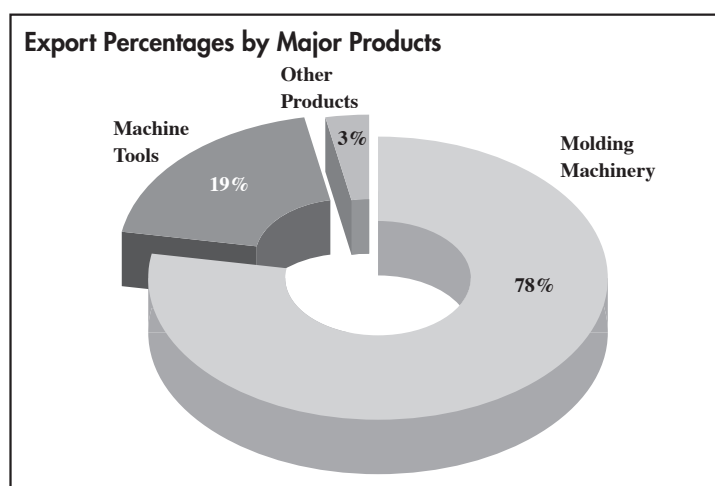
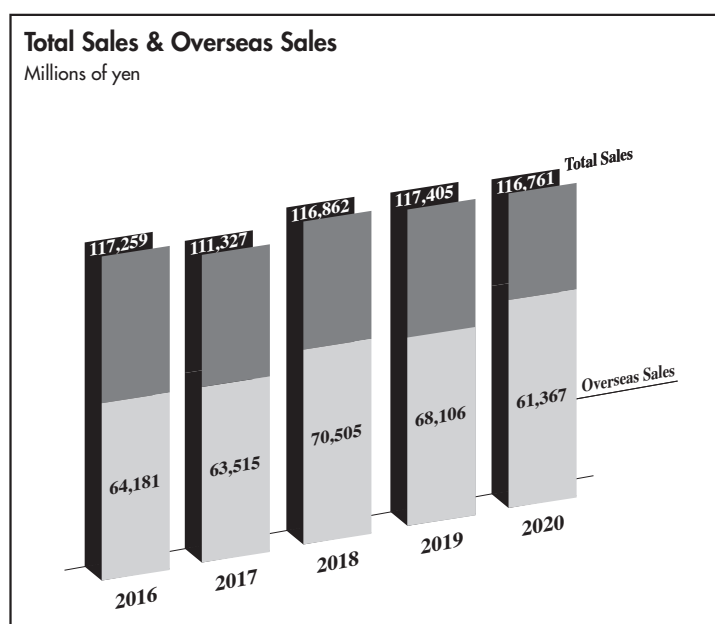
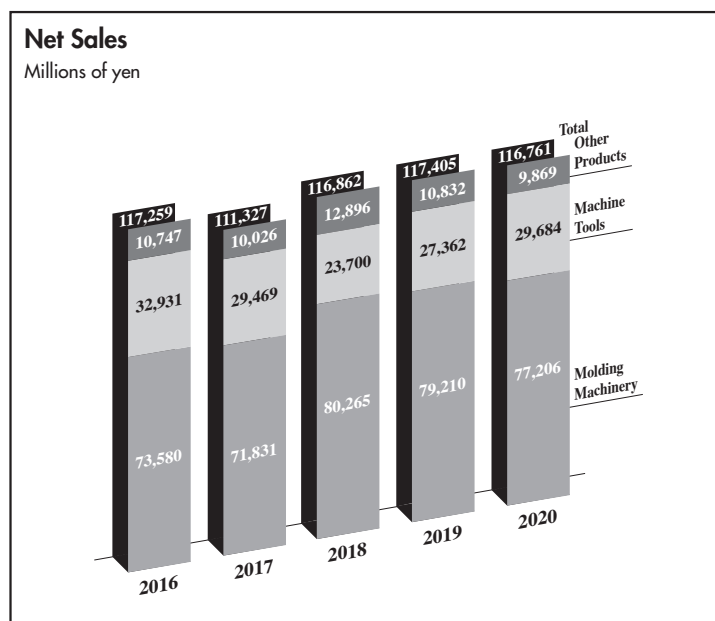
In Korea, although demand for injection molding machines increased, sales decreased by 832 million yen from the previous year due to decreased demand for machine tools.

In Taiwan, sales increased by 288 million yen from the previous year because of greater demand for extrusion machines.

In China, although demand for injection molding machines, die casting machines and machine tools decreased, sales increased by 133 million yen from the previous year due to greater demand for extrusion machines.

As a result, the percentage of overseas sales relative to overall sales decreased from 58.0% of the previous year to 52.6%.

The percentage of overseas sales by business segment was: 78% for the molding machinery business (2% decrease from the previous year), 19% for the machine tools business (2% increase from the previous year), and 3% for other products business, which remained unchanged from the previous year.



# Overseas Offices

## ■ East Asia ■

### **SHIBAURA MACHINE (SHANGHAI) CO., LTD.**

4788, Jin Du Road,  
Xinzhuang Industry Zone,  
Shanghai, 201108,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)21-5442-5455  
Fax : [86]-(0)21-5442-5466

### **SHANGHAI SHIBAURA MACHINE CO., LTD.**

**Head Office**  
4788, Jin Du Road,  
Xinzhuang Industry Zone,  
Shanghai, 201108,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)21-5442-0606  
Fax : [86]-(0)21-5866-2450  
URL:<http://www.shibaura-machine.com.cn>

### **Beijing Office**

RECREO-CHN MEDIA PLAZA A-1001  
A-1, No.15 Jian Guo Road, Chao Yang  
District, Beijing, 100024,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)10-6590-8977~8  
Fax : [86]-(0)10-6590-8979

### **Tianjin Office**

Room 1005, Li Jing Building,  
53 Wei Ti Dao Road,  
Hexi District, Tianjin, 300201,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)22-8836-3056  
Fax : [86]-(0)22-2416-0380

### **Dalian Office**

Room 1304, Gugeng International  
Business Building, 138th Jinma Road,  
Dalian Economic & Technological  
Development Zone, Dalian, 116600,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)411-8732-7911  
Fax : [86]-(0)411-8732-6899

### **Chongqing Office**

Room 9-8, H2 Building, Diecai Center,  
No. 9 Jintong Road, North New District,  
Chongqing, 401122, PEOPLE'S  
REPUBLIC OF CHINA  
Tel : [86]-(0)23-6777-5805  
Fax : [86]-(0)23-6790-5542

### **Ningbo Office**

Room 713, Building 2, Silver City  
National, No 668 jingjia Road jiangdong  
District, Ningbo, Zhejiang, 315040,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)574-2795-9198  
Fax : [86]-(0)574-2795-9199

### **SHIBAURA MACHINE (SHENZHEN) CO., LTD.**

**Head Office**  
Room 608, Building 2, Animation Park,  
Yuehai Road, Nanhai Street, Nanshan  
District, Shenzhen, 518054,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)755-8625-0599  
Fax : [86]-(0)755-8625-0522

### **Guangzhou Office**

Room 102, No.23 Tianan Headquarters  
Centre Building, No.555 Panyu Avenue  
North, Donghuan Street, Panyu District,  
Guangzhou, 511430,  
PEOPLE'S REPUBLIC OF CHINA  
Tel : [86]-(0)20-2916-1330  
Fax : [86]-(0)20-2916-1338

### **SHIBAURA MACHINE TAIWAN CO., LTD.**

7F., No.168, Ruiguang Road,  
Neihu District, Taipei City, 11491,  
TAIWAN  
Tel : [886]-(0)2-2659-6558  
Fax : [886]-(0)2-2659-6381

## ■ South East Asia ■

### **SHIBAURA MACHINE MANUFACTURING (THAILAND) CO., LTD.**

7/499 Moo 6, Tambol Mabyangporn,  
Amphur Pluakdaeng, Rayong 21140,  
THAILAND  
Tel : [66]-(0)38-027313  
Fax : [66]-(0)38-027317

### **SHIBAURA MACHINE INDIA PRIVATE LIMITED**

#### **Head Office & Factory**

No. 65 (P.O. Box No. 5),  
Chennai-Bangalore Highway,  
Chembarambakkam,  
Poonamallee Taluk, Thiruvallur,  
Chennai-600123, Tamil Nadu, INDIA  
Tel : [91]-(0)44-2681-2000  
Fax : [91]-(0)44-2681-0303

#### **Delhi Office**

Plot No. 5, LSC Pocket 6 & 7,  
Second Floor,  
Sector-C, Vasant Kunj,  
New Delhi-110070, INDIA  
Tel : [91]-(0)11-4329-1111  
Fax : [91]-(0)11-4329-1127

#### **Mumbai Office**

Unit No. 608, Powai Plaza,  
Hiranandani Business Park,  
Powai, Mumbai-400076, INDIA  
Tel : [91]-(0)22-6671-0992  
Fax : [91]-(0)22-6671-1014

**Other Sales & Service Offices:  
Kolkata, Pune, Ahmedabad, Vapi,  
Bangalore, Hyderabad**

### **SHIBAURA MACHINE (THAILAND) CO., LTD.**

127/28 Panjathanee Tower, 23rd Floor,  
Nonthree Road, Khwaeng Chong  
Nonthree, Khet Yannawa, Bangkok,  
10120, THAILAND  
Tel : [66]-(0)2-681-0158~61  
Fax : [66]-(0)2-681-0162

■ America ■

■ Europe ■

**SHIBAURA MACHINE SINGAPORE PTE. LTD.**

**Head Office**

123 Pioneer Road, Singapore 639596,  
SINGAPORE

Tel : [65]-68611455

Fax : [65]-68612023

**Kuala Lumpur Branch**

Unit No. 39-1, Block C2, Jalan PJU  
1/39 Dataran Prima, 47301 Petaling

Jaya, Selangor Darul Ehsan, MALAYSIA

Tel : [60]-(0)3-7803-7544

Fax : [60]-(0)3-7803-7545

**Penang Office**

No. 61, Jalan Prai Jaya 4,  
Bandar Prai Jaya, 13600 Prai, Penang,  
MALAYSIA

Tel : [60]-(0)4-3980086

Fax : [60]-(0)4-3989652

**PT. SHIBAURA MACHINE INDONESIA**

Galeri Niaga, Tanjung Barat Kav. KM 8-6,  
7, JL. TB. Simatupang Kav.81, Tanjung  
Barat, Jagakarsa, Jakarta Selatan, 12530,  
INDONESIA

Tel : [62]-(0)21-7884-8694

Fax : [62]-(0)21-7884-8689

**SHIBAURA MACHINE VIETNAM COMPANY LIMITED**

**Head Office**

2nd Floor, VIT Tower, No. 519 Kim Ma  
Street, Ngoc Khanh Ward, Ba Dinh  
District, Hanoi, VIETNAM

Tel : [84]-(0)24-2220-8700-1

Fax : [84]-(0)24-2220-8702

**Ho Chi Minh Branch**

3rd Floor, Unit 3.1A, E-Town Building,  
364 Cong Hoa Street, Ward 13, Tan Binh  
District, Ho Chi Minh City, VIETNAM

Tel : [84]-(0)28-3810-8658

Fax : [84]-(0)28-3810-8657

**SHIBAURA MACHINE COMPANY, AMERICA**

**Head Office**

755 Greenleaf Avenue,  
Elk Grove Village, IL 60007, U.S.A.

Tel : [1]-847-593-1616

Fax : [1]-847-593-0897

URL <https://www.shibaura-machine.com/>

**Los Angeles Office**

1440 South Balboa Avenue,  
Ontario, CA 91761, U.S.A.

Tel : [1]-909-923-4009

Fax : [1]-909-923-7258

**Charlotte Office**

8307 University Executive Park Drive,  
Charlotte, NC 28262, U.S.A

Tel : [1]-888-593-1616

**Atlanta Office**

6478 Putnam Ford Drive, Suite

#106, Woodstock, GA 30189, U.S.A.

Tel : [1]-678-494-8005

Fax : [1]-678-494-8006

**Canada Branch**

6 Shields Court, Suite 101, Markham,  
Ontario, L3R 4S1, CANADA

Tel : [1]-905-479-9111

Fax : [1]-905-479-6098

**SHIBAURA MACHINE MEXICO, S.A. DE C.V.**

Circuito Luxma No.115, Poligono  
Industrial Milenio, C.P. 37290 Leon,  
Guannajuato, MEXICO

Tel : [52]-477-101-8600

**SHIBAURA MACHINE DO BRASIL COMERCIO DE MAQUINAS LTDA.**

Rua Cubatao, 86 Conjunto 1307, Vila  
Mariana, Sao Paulo, SP CEP 04013-000,  
BRASIL

Tel : [55]-(0)11-3253-3331

Fax : [55]-(0)11-3586-0138

**SHIBAURA MACHINE EUROPE S.R.L.**

Via Gaudenzio Fantoli 7, Piano 2, 20138,  
Milano, ITALY

Tel : [39]-02-50041667

Fax : [39]-02-50041668

**SHIBAURA MACHINE UK LTD.**

66 Burners Lane, Kiln Farm,  
Milton Keynes MK11 3HD  
UNITED KINGDOM

Tel : [44]-(0)1908-562327

Fax : [44]-(0)1908-562348

# Financial Review

## CONSOLIDATED BALANCE SHEET

SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2020

| ASSETS                                                 | Millions of yen |                 | Thousands of<br>U.S. dollars<br>(Note 3) |
|--------------------------------------------------------|-----------------|-----------------|------------------------------------------|
|                                                        | 2020            | 2019            | 2020                                     |
| <b>Current assets:</b>                                 |                 |                 |                                          |
| Cash and deposits (Notes 19 and 21)                    | ¥47,907         | ¥25,592         | \$440,204                                |
| Marketable securities (Notes 19, 21 and 22)            | 104             | —               | 956                                      |
| Notes and accounts receivable, trade (Notes 11 and 21) | 36,064          | 37,405          | 331,387                                  |
| Allowance for doubtful receivables                     | (49)            | (89)            | (457)                                    |
| Net receivables                                        | 36,015          | 37,315          | 330,930                                  |
| Inventories:                                           |                 |                 |                                          |
| Finished products                                      | 9,052           | 12,153          | 83,184                                   |
| Work in process                                        | 26,877          | 29,793          | 246,963                                  |
| Raw materials and supplies                             | 67              | 73              | 620                                      |
| Total inventories                                      | 35,997          | 42,020          | 330,768                                  |
| Other current assets (Notes 21 and 23)                 | 2,340           | 3,909           | 21,506                                   |
| Total current assets                                   | 122,364         | 108,838         | 1,124,364                                |
| Property, plant and equipment, net (Note 7)            | 20,541          | 20,765          | 188,744                                  |
| Intangible assets (Note 8)                             | 561             | 641             | 5,157                                    |
| Investments and other assets:                          |                 |                 |                                          |
| <b>Investments in:</b>                                 |                 |                 |                                          |
| Unconsolidated subsidiaries and affiliates (Note 21)   | 780             | 11,539          | 7,169                                    |
| Other securities (Notes 21 and 22)                     | 5,779           | 6,839           | 53,110                                   |
| Long-term loans                                        | 13              | 16              | 121                                      |
| Deferred tax assets (Note 25)                          | 3,142           | 703             | 28,873                                   |
| Other investments                                      | 1,100           | 1,380           | 10,115                                   |
| Total investments and other assets                     | 10,816          | 20,479          | 99,388                                   |
| <b>Total assets</b>                                    | <b>¥154,283</b> | <b>¥150,724</b> | <b>\$1,417,652</b>                       |

See accompanying notes to financial statements.

| LIABILITIES AND NET ASSETS                                                   | Millions of yen |                 | Thousands of<br>U.S. dollars<br>(Note 3) |
|------------------------------------------------------------------------------|-----------------|-----------------|------------------------------------------|
|                                                                              | 2020            | 2019            | 2020                                     |
| <b>Current liabilities:</b>                                                  |                 |                 |                                          |
| Short-term bank loans (Notes 21 and 32)                                      | ¥10,090         | ¥10,090         | \$92,713                                 |
| Notes and accounts payable, trade (Notes 11 and 21)                          | 21,279          | 28,207          | 195,529                                  |
| Income taxes payable (Note 25)                                               | 7,218           | 466             | 66,332                                   |
| Accrued expenses                                                             | 5,351           | 4,854           | 49,177                                   |
| Warranty reserve                                                             | 720             | 604             | 6,620                                    |
| Advances received                                                            | 6,403           | 7,842           | 58,841                                   |
| Other current liabilities (Notes 21, 23 and 32)                              | 1,941           | 1,423           | 17,844                                   |
| Total current liabilities                                                    | 53,006          | 53,488          | 487,055                                  |
| <b>Long-term liabilities:</b>                                                |                 |                 |                                          |
| Long-term debt (Notes 21 and 32)                                             | 4,300           | 4,300           | 39,511                                   |
| Long-term accounts payable, other                                            | 5               | 5               | 53                                       |
| Accrued directors' retirement benefits                                       | 41              | 32              | 382                                      |
| Net retirement benefit liability (Note 24)                                   | 9,770           | 9,475           | 89,775                                   |
| Asset retirement obligations                                                 | 52              | 51              | 484                                      |
| Deferred tax liabilities (Note 25)                                           | 2               | 66              | 21                                       |
| Other long-term liabilities (Note 32)                                        | 85              | 105             | 789                                      |
| Total long-term liabilities                                                  | 14,258          | 14,037          | 131,014                                  |
| <b>Total liabilities</b>                                                     | <b>67,264</b>   | <b>67,526</b>   | <b>618,070</b>                           |
| <b>Contingent liabilities (Note 9)</b>                                       |                 |                 |                                          |
| <b>Net assets:</b>                                                           |                 |                 |                                          |
| <b>Shareholders' equity: (Note 17)</b>                                       |                 |                 |                                          |
| Common stock                                                                 |                 |                 |                                          |
| Authorized - 72,000,000 shares                                               |                 |                 |                                          |
| Issued - 29,977,106 shares                                                   | 12,484          | 12,484          | 114,718                                  |
| Additional paid-in capital                                                   | 11,538          | 11,538          | 106,020                                  |
| Retained earnings                                                            | 77,359          | 71,983          | 710,830                                  |
| Treasury stock, at cost (5,841,960 shares in 2020, 5,841,537 shares in 2019) | (16,376)        | (16,375)        | (150,476)                                |
| Total shareholders' equity                                                   | 85,006          | 79,630          | 781,092                                  |
| <b>Accumulated other comprehensive income</b>                                |                 |                 |                                          |
| Unrealized holding gain on securities, net of tax                            | 2,334           | 2,844           | 21,447                                   |
| Deferred gains or losses on hedges                                           | 0               | 0               | 3                                        |
| Foreign currency translation adjustments                                     | 843             | 1,711           | 7,753                                    |
| Remeasurements of defined benefit plans                                      | (1,165)         | (988)           | (10,712)                                 |
| Total accumulated other comprehensive income                                 | 2,012           | 3,566           | 18,490                                   |
| Total net assets (Note 31)                                                   | 87,018          | 83,197          | 799,582                                  |
| <b>Total liabilities and net assets</b>                                      | <b>¥154,283</b> | <b>¥150,724</b> | <b>\$1,417,652</b>                       |

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2020

|                                                                                     | Millions of yen |               | Thousands of<br>U.S. dollars<br>(Note 3) |
|-------------------------------------------------------------------------------------|-----------------|---------------|------------------------------------------|
|                                                                                     | 2020            | 2019          | 2020                                     |
| <b>Net income</b>                                                                   | <b>¥7,338</b>   | <b>¥4,079</b> | <b>\$67,433</b>                          |
| Other comprehensive income (loss): (Note 18)                                        |                 |               |                                          |
| Unrealized holding gain (loss) on securities, net of tax                            | (536)           | (804)         | (4,934)                                  |
| Deferred gains or losses on hedges                                                  | 0               | (2)           | 3                                        |
| Foreign currency translation adjustments                                            | (867)           | 104           | (7,972)                                  |
| Remeasurements of defined benefit plans                                             | (228)           | 128           | (2,096)                                  |
| Share of other comprehensive income of affiliates accounted for using equity method | 77              | (29)          | 714                                      |
| Total other comprehensive income (loss)                                             | (1,554)         | (603)         | (14,285)                                 |
| <b>Comprehensive income</b>                                                         | <b>¥5,784</b>   | <b>¥3,475</b> | <b>\$53,147</b>                          |
| Comprehensive income attributable to:                                               |                 |               |                                          |
| <b>Owners of parent</b>                                                             | <b>5,784</b>    | <b>3,475</b>  | <b>53,147</b>                            |
| <b>Non-controlling interests</b>                                                    | <b>—</b>        | <b>—</b>      | <b>—</b>                                 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2020

|                                                      | Millions of yen            |                 |                                  |                      |                   |                                                    |                                          |                            | Total net<br>assets |                                               |
|------------------------------------------------------|----------------------------|-----------------|----------------------------------|----------------------|-------------------|----------------------------------------------------|------------------------------------------|----------------------------|---------------------|-----------------------------------------------|
|                                                      | Number of Common<br>Shares | Common<br>stock | Additional<br>paid in<br>capital | Retained<br>earnings | Treasury<br>stock | Unrealized<br>gain on<br>securities,<br>net of tax | Deferred gains<br>or losses on<br>hedges | Translation<br>adjustments |                     | Remeasurements<br>of defined benefit<br>plans |
| Balance at April 1, 2018                             | 29,907,106                 | ¥12,484         | ¥11,538                          | ¥69,514              | ¥(16,373)         | ¥3,684                                             | ¥2                                       | ¥1,606                     | ¥(1,123)            | ¥81,334                                       |
| Profit attributable to owners of parent              |                            |                 |                                  | 4,079                |                   |                                                    |                                          |                            |                     | 4,079                                         |
| Purchases of treasury stock                          |                            |                 |                                  |                      | (2)               |                                                    |                                          |                            |                     | (2)                                           |
| Cash dividends                                       |                            |                 |                                  | (1,749)              |                   |                                                    |                                          |                            |                     | (1,749)                                       |
| Increase by merger                                   |                            |                 |                                  | 138                  |                   |                                                    |                                          |                            |                     | 138                                           |
| Net changes in items other than shareholders' equity |                            |                 |                                  |                      |                   | (839)                                              | (2)                                      | 104                        | 134                 | (603)                                         |
| Balance at March 31, 2019                            | 29,907,106                 | 12,484          | 11,538                           | 71,983               | (16,375)          | 2,844                                              | 0                                        | 1,711                      | (988)               | 83,197                                        |
| Profit attributable to owners of parent              |                            |                 |                                  | 7,338                |                   |                                                    |                                          |                            |                     | 7,338                                         |
| Purchases of treasury stock                          |                            |                 |                                  |                      | (1)               |                                                    |                                          |                            |                     | (1)                                           |
| Cash dividends                                       |                            |                 |                                  | (1,930)              |                   |                                                    |                                          |                            |                     | (1,930)                                       |
| Decrease by merger                                   |                            |                 |                                  | (31)                 |                   |                                                    |                                          |                            |                     | (31)                                          |
| Net changes in items other than shareholders' equity |                            |                 |                                  |                      |                   | (510)                                              | 0                                        | (867)                      | (176)               | (1,554)                                       |
| <b>Balance at March 31, 2020</b>                     | <b>29,977,106</b>          | <b>¥12,484</b>  | <b>¥11,538</b>                   | <b>¥77,359</b>       | <b>¥(16,376)</b>  | <b>¥2,344</b>                                      | <b>¥0</b>                                | <b>¥843</b>                | <b>¥(1,165)</b>     | <b>¥87,018</b>                                |

|                                                      | Thousands of U.S. dollars (Note 3) |                                  |                      |                    |                                                    |                                          |                            |                                               | Total net<br>assets |
|------------------------------------------------------|------------------------------------|----------------------------------|----------------------|--------------------|----------------------------------------------------|------------------------------------------|----------------------------|-----------------------------------------------|---------------------|
|                                                      | Common<br>stock                    | Additional<br>paid in<br>capital | Retained<br>earnings | Treasury<br>stock  | Unrealized<br>gain on<br>securities,<br>net of tax | Deferred gains<br>or losses on<br>hedges | Translation<br>adjustments | Remeasurements<br>of defined benefit<br>plans |                     |
| Balance at April 1, 2019                             | \$114,718                          | \$106,020                        | \$661,427            | \$(150,467)        | \$26,137                                           | \$0                                      | \$15,725                   | \$(9,086)                                     | \$764,474           |
| Profit attributable to owners of parent              |                                    |                                  | 67,433               |                    |                                                    |                                          |                            |                                               | 67,433              |
| Purchases of treasury stock                          |                                    |                                  |                      | (9)                |                                                    |                                          |                            |                                               | (9)                 |
| Cash dividends                                       |                                    |                                  | (17,742)             |                    |                                                    |                                          |                            |                                               | (17,742)            |
| Decrease by merger                                   |                                    |                                  | (288)                |                    |                                                    |                                          |                            |                                               | (288)               |
| Net changes in items other than shareholders' equity |                                    |                                  |                      |                    | (4,690)                                            | 3                                        | (7,972)                    | (1,626)                                       | (14,285)            |
| <b>Balance at March 31, 2020</b>                     | <b>\$114,718</b>                   | <b>\$106,020</b>                 | <b>\$710,830</b>     | <b>\$(150,476)</b> | <b>\$21,447</b>                                    | <b>\$3</b>                               | <b>\$7,753</b>             | <b>\$(10,712)</b>                             | <b>\$799,582</b>    |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2020

|                                                                                                       | Millions of yen |                | Thousands of<br>U.S. dollars<br>(Note 3) |
|-------------------------------------------------------------------------------------------------------|-----------------|----------------|------------------------------------------|
|                                                                                                       | 2020            | 2019           | 2020                                     |
| <b>Operating activities:</b>                                                                          |                 |                |                                          |
| Net income before income taxes                                                                        | ¥12,648         | ¥5,742         | \$116,218                                |
| Adjustments to reconcile net income before income taxes to net cash provided by operating activities: |                 |                |                                          |
| Depreciation                                                                                          | ¥1,781          | ¥1,868         | 16,368                                   |
| Loss on impairment of fixed assets                                                                    | 19              | —              | 182                                      |
| Extra retirement payments                                                                             | 911             | —              | 8,375                                    |
| Allowance for doubtful receivables                                                                    | 662             | 289            | 6,087                                    |
| Warranty reserve                                                                                      | 115             | 7              | 1,064                                    |
| Directors' retirement benefit                                                                         | 8               | 2              | 79                                       |
| Net defined benefit liability                                                                         | 66              | 291            | 615                                      |
| Interest and dividend income                                                                          | (556)           | (383)          | (5,113)                                  |
| Interest expense                                                                                      | 81              | 81             | 753                                      |
| Gain on sales of investment securities                                                                | (26)            | (186)          | (246)                                    |
| Gain on sales of shares of subsidiaries and affiliates                                                | (10,135)        | —              | (93,131)                                 |
| Loss on valuation of investment securities                                                            | 311             | —              | 2,864                                    |
| Gain or loss on sales and disposal of property, plant and equipment and intangible assets             | 96              | 17             | 886                                      |
| Equity in earnings of affiliates                                                                      | (728)           | (1,241)        | (6,695)                                  |
| Changes in operating assets and liabilities:                                                          |                 |                |                                          |
| Notes and accounts receivable, trade                                                                  | 1,341           | 1,128          | 12,323                                   |
| Inventories                                                                                           | 6,023           | (8,332)        | 55,346                                   |
| Notes and accounts payable, trade                                                                     | (6,973)         | (1,652)        | (64,072)                                 |
| Advances received                                                                                     | (1,438)         | 2,719          | (13,218)                                 |
| Accrued expenses                                                                                      | 495             | (385)          | 4,555                                    |
| Others                                                                                                | 997             | (803)          | 9,164                                    |
| Sub total                                                                                             | 5,702           | (835)          | 52,402                                   |
| Interest and dividend income received                                                                 | 827             | 654            | 7,604                                    |
| Interest paid                                                                                         | (80)            | (89)           | (739)                                    |
| Income taxes paid                                                                                     | (1,137)         | (1,906)        | (10,453)                                 |
| Net cash provided by (used in) operating activities                                                   | 5,312           | (2,176)        | 48,814                                   |
| <b>Investing activities:</b>                                                                          |                 |                |                                          |
| Purchases of property, plant and equipment                                                            | (1,424)         | (1,101)        | (13,092)                                 |
| Proceeds from sales of property, plant and equipment                                                  | 13              | 7              | 128                                      |
| Purchases of intangible assets                                                                        | (92)            | (74)           | (852)                                    |
| Purchases of investment securities                                                                    | —               | (99)           | —                                        |
| Proceeds from sales of investment securities                                                          | 208             | 167            | 1,914                                    |
| Purchase of shares of subsidiaries and affiliates                                                     | (98)            | (400)          | (901)                                    |
| Proceeds from sales of shares of subsidiaries and affiliates                                          | 21,525          | —              | 197,794                                  |
| Payments for investments in capital of subsidiaries and affiliates                                    | (379)           | —              | (3,490)                                  |
| Increase (decrease) in short-term loans receivable                                                    | (3)             | 0              | (31)                                     |
| Collection of long-term loans receivable                                                              | 3               | 3              | 28                                       |
| Others                                                                                                | 20              | 5              | 189                                      |
| Net cash provided by (used in) investing activities                                                   | 19,772          | (1,493)        | 181,686                                  |
| <b>Financing activities:</b>                                                                          |                 |                |                                          |
| Increase (decrease) in short-term bank loans                                                          | —               | 4,300          | —                                        |
| Repayment of long-term loans payable                                                                  | —               | (4,300)        | —                                        |
| Purchases of treasury stock                                                                           | (1)             | (2)            | (9)                                      |
| Cash dividends paid                                                                                   | (1,930)         | (1,749)        | (17,742)                                 |
| Others                                                                                                | (33)            | (33)           | (303)                                    |
| Net cash used in financing activities                                                                 | (1,964)         | (1,785)        | (18,054)                                 |
| Effect of exchange rate changes on cash and cash equivalents                                          | (701)           | 111            | (6,444)                                  |
| Net increase (decrease) in cash and cash equivalents                                                  | 22,419          | (5,344)        | 206,002                                  |
| Cash and cash equivalents at beginning of year                                                        | 25,592          | 30,798         | 235,158                                  |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries          | —               | 138            | —                                        |
| <b>Cash and cash equivalents at end of year (Note 19)</b>                                             | <b>¥48,011</b>  | <b>¥25,592</b> | <b>\$441,160</b>                         |

See accompanying notes to financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SHIBAURA MACHINE CO., LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the fiscal year end and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

## 2. Summary of Significant Accounting Policies

### (a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Companies.

All significant intercompany transactions and accounts and unrealized intercompany profits among consolidated entities are eliminated in consolidation.

Investments in affiliates (15 to 50 percent-owned companies) in which the Company has the ability

to exercise significant influence, except immaterial investments, are accounted for using the equity method. NuFlare Technology, Inc. was excluded from the scope of equity method due to the all sale of its stock (deemed sale date January 1, 2020). The change in the scope of the equity method will have a material effect on the Company’s consolidated financial statements for the next fiscal year. The effect will consist of decrease in equity in earnings of affiliates on the consolidated statement of income.

Unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

### (b) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for those perfectly hedged by forward contracts, which are translated using the contracted rate.

The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange derivatives.

All assets and liabilities of foreign consolidated subsidiaries are translated at the current rates at the respective balance sheet dates, except for components of shareholders’ equity which are translated at their historical rates. The revenue and expense accounts of foreign consolidated subsidiaries are translated at the current rates at the respective balance sheet dates. Differences arising from translation are recognized directly in foreign currency translation adjustments in net assets.

### (c) Securities

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of income taxes, directly included in net assets.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

**(d) Inventories**

Finished products and work in process are stated at the lower of cost, determined by the individual identification method, or their net realizable value. Raw materials and supplies are stated at the lower of cost, determined by the moving average method, or their net realizable value.

**(e) Allowance for doubtful receivables**

The allowance for doubtful receivables is stated at the amount determined based on the default ratio sustained over a specific period in the past and the estimated uncollectible amount determined based on the analysis of certain individual accounts, including probable bad debt and claims in bankruptcy.

**(f) Warranty reserve**

Warranty reserve is provided for warranty costs to be incurred during the warranty period based on historical experience.

**(g) Employee bonuses**

The bonuses to the employees are paid twice a year and accrued based on the estimated amounts incurred and to be paid in the subsequent period.

**(h) Depreciation of property, plant and equipment (excluding leased assets)**

Depreciation of buildings is principally computed by the straight-line method, facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 is computed by the straight-line method and depreciation of other property, plant and equipment is computed by the declining balance method over the estimated useful lives of respective assets, principally ranging from 3 to 60 years for buildings and structures, and from 3 to 22 years for machinery, equipment and vehicles.

**(i) Amortization of intangible assets**

Computer software held for internal use is amortized by the straight-line method over the corresponding economic useful life (5 years). Other intangible assets, including patent rights, are amortized by the straight-line method over the estimated useful lives of respective assets.

**(j) Leased assets**

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated by the straight-line method over the lease term with no residual value.

**(k) Derivative financial instruments**

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are charged or credited to income for the period in which they arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of the derivatives designated as cash flow hedging instruments, net of the applicable income taxes, are reported as a component of net assets.

**(l) Income taxes**

The Companies accrue current income taxes based on taxable income.

The Companies recognize a number of temporary differences for financial reporting purposes, which, in the case of expenses, are not currently deductible and in the case of income, are not currently taxable.

Income tax effects on such temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

**(m) Employees' retirement benefits**

Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation and the fair value of plan assets at fiscal year-end.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

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

**(n) Directors' retirement benefits**

Domestic consolidated subsidiaries accrue an estimated amount calculated in accordance with internal rules for retirement benefits for directors and corporate auditors.

**(o) Amounts per share of common stock**

Net income per share is computed based on the weighted-average number of shares of common stock outstanding during a year.

Diluted net income per share is not presented since the Company has never issued any securities with dilutive effect, such as bonds with warrants and convertible bonds. Cash dividends per share represent the actual amount declared as applicable to the respective years.

**(p) Cash equivalents**

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

**(q) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system**

The Company and its domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amended based on

the treatment of Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision on Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

**3. U.S. Dollar Amounts**

U.S. dollar amounts are included solely for the convenience of the readers and have been translated at the rate of ¥108.83=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2020. This translation should not be construed as a representation that the yen amounts actually represent, have been, or could be converted into U.S. dollars.

#### **4. Accounting Standards Issued but Not yet Effective**

##### **Accounting Standard for Revenue Recognition**

**(ASBJ Statement No.29 on March 31, 2020)**

##### **Implementation Guidance on Accounting Standard for Revenue Recognition**

**(ASBJ Guidance No.30 on March 31, 2020)**

##### **Implementation Guidance on Disclosures about Fair Value of Financial Instruments**

**(ASBJ Guidance No.19 on March 31, 2020)**

###### **(a) Outline**

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

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

###### **(b) Scheduled date of adoption**

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

###### **(c) Impacts of the adoption of accounting standard and implementation guidance**

The impacts on the Company's consolidated financial statements from the adoption of this accounting standard and implementation guidance are being evaluated at the time of the preparation of consolidated financial statements.

##### **Accounting Standard for Fair Value Measurement**

**(ASBJ Statement No.30 on July 4, 2019)**

##### **Accounting Standard for Measurement of Inventories**

**(ASBJ Statement No.9 on July 4, 2019)**

##### **Accounting Standard for Financial Instruments**

**(ASBJ Statement No.10 on July 4, 2019)**

##### **Implementation Guidance on Accounting Standard for Fair Value Measurement**

**(ASBJ Guidance No.31 on July 4, 2019)**

##### **Implementation Guidance on Disclosures about Fair Value of Financial Instruments**

**(ASBJ Guidance No.19 on March 31, 2020)**

###### **(a) Outline**

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

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

###### **(b) Scheduled date of adoption**

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

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

The impacts on the Company's consolidated financial statements from the adoption of this accounting standard and implementation guidance are being evaluated at the time of the preparation of consolidated financial statements.

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

(a) Outline

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

(b) Scheduled date of adoption

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

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

(a) Outline

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

(b) Scheduled date of adoption

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

## **5. Changes in Presentation**

### **Consolidated Statement of Income**

Outsourcing expenses, included within others of other expenses and losses until the fiscal year ended March 31, 2019, is separately stated from the fiscal year ended March 31, 2020, as it has exceeded 10% of the total other expenses and losses. As a result of that, others under other expenses and losses in the consolidated statement of income for the fiscal year ended March 31, 2019, ¥288 million, is replaced by outsourcing expenses of ¥20 million and others of ¥267 million.

## **6. Additional Information**

The spread of COVID-19 has caused a broad impact on the economy and corporate activities, and the Companies business activities have been affected since automakers, our main customers, are making production adjustments. Because it is difficult to predict when the spread of COVID-19 will be resolved, the Company has made its best estimate, based on the information available for the preparation of the consolidated financial statements, of the recoverability of deferred tax assets and impairment loss under certain assumptions that the impact will be felt over a certain period of time in the next consolidated fiscal year. It is assumed that the impact of COVID-19 will be eliminated by the second quarter of the next fiscal year, and that normal business activities will be gradually resumed in the third quarter and thereafter. As a result of the estimates made for the current fiscal year, the impact on the consolidated financial statements for the current fiscal year is not significant. However, as a result of revising the assumptions based

on changes in future circumstances, the effect on the consolidated financial statements for the next fiscal year and thereafter may be significant.

## 7. Property, Plant and Equipment

Property, plant and equipment at March 31, 2020 and 2019 consisted of the following:

|                                    | Millions of yen |          | Thousands of<br>U.S. dollars |
|------------------------------------|-----------------|----------|------------------------------|
|                                    | 2020            | 2019     | 2020                         |
| Land                               | <b>¥7,049</b>   | ¥6,460   | <b>\$64,774</b>              |
| Buildings and structures           | <b>39,014</b>   | 39,350   | <b>358,487</b>               |
| Machinery and equipment            | <b>23,938</b>   | 23,883   | <b>219,964</b>               |
| Vehicles                           | <b>286</b>      | 302      | <b>2,629</b>                 |
| Tools, furniture and fixtures      | <b>7,327</b>    | 7,428    | <b>67,326</b>                |
| Lease assets                       | <b>240</b>      | 264      | <b>2,212</b>                 |
| Construction in progress           | <b>135</b>      | 130      | <b>1,248</b>                 |
| Sub total                          | <b>77,991</b>   | 77,821   | <b>716,640</b>               |
| Less accumulated depreciation      | <b>(57,450)</b> | (57,056) | <b>(527,896)</b>             |
| Property, plant and equipment, net | <b>¥20,541</b>  | ¥20,765  | <b>\$188,744</b>             |

Depreciation expenses for the years ended March 31, 2020 and 2019 were ¥1,781 million (\$16,368 thousand) and ¥1,868 million, respectively.

## 8. Intangible Assets

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

|        | Millions of yen |      | Thousands of<br>U.S. dollars |
|--------|-----------------|------|------------------------------|
|        | 2020            | 2019 | 2020                         |
| Others | <b>¥561</b>     | ¥641 | <b>\$5,157</b>               |
| Total  | <b>¥561</b>     | ¥641 | <b>\$5,157</b>               |

## 9. Contingent Liabilities

As of March 31, 2020, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥983 million (\$9,038 thousand).

## 10. Commitment Line

The Company has concluded commitment line contracts with three financial institutions in order to ensure that it can safely and flexibly meet any demand for funds. The balance of unused committed lines under these contracts at the end of the fiscal year was as follows:

|                                 | Millions of yen |         | Thousands of<br>U.S. dollars |
|---------------------------------|-----------------|---------|------------------------------|
|                                 | 2020            | 2019    | 2020                         |
| Total amount of commitment line | <b>¥10,000</b>  | ¥10,000 | <b>\$91,886</b>              |
| Funds borrowed                  | —               | —       | —                            |
| Unused amount                   | <b>¥10,000</b>  | ¥10,000 | <b>\$91,886</b>              |

## 11. Treatment of notes matured at the end of the fiscal year

Since the final day of the fiscal year falls on a holiday of financial institutions, the method is applied where settlement of notes matured at the end of the fiscal year are accounted for on their clearing day.

Accordingly, the following notes matured at the end of the previous year are included in the consolidated balance sheet at the end of the previous year:

|                                      | Millions of yen |        | Thousands of U.S. dollars |
|--------------------------------------|-----------------|--------|---------------------------|
|                                      | 2020            | 2019   | 2020                      |
| Notes and accounts receivable, trade | ¥—              | ¥1,476 | \$—                       |
| Notes and accounts payable, trade    | —               | 14     | —                         |

## 12. Selling, General and Administrative Expenses

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

|                                   | Millions of yen |         | Thousands of U.S. dollars |
|-----------------------------------|-----------------|---------|---------------------------|
|                                   | 2020            | 2019    | 2020                      |
| Sales commission                  | ¥1,486          | ¥1,579  | \$13,656                  |
| Shipping expenses                 | 3,595           | 3,839   | 33,036                    |
| Provision for warranty reserve    | 625             | 495     | 5,745                     |
| Personnel-expenses                | 11,914          | 11,883  | 109,477                   |
| Retirement benefit expenses       | 652             | 669     | 5,997                     |
| Depreciation                      | 746             | 730     | 6,855                     |
| Rent expenses                     | 804             | 805     | 7,394                     |
| Travel expenses                   | 1,238           | 1,408   | 11,376                    |
| Research and development expenses | 1,682           | 1,246   | 15,459                    |
| Subcontract expenses              | 588             | 495     | 5,410                     |
| Others                            | 6,596           | 5,923   | 60,616                    |
| Total                             | ¥29,930         | ¥29,078 | \$275,020                 |

## 13. Research and Development Costs

Research and development costs charged to income were ¥2,378 million (\$21,851 thousand) and ¥1,835 million for the years ended March 31, 2020 and 2019, respectively.

## 14. Gain or loss on sales of shares of subsidiaries and affiliates

For the year ended March 31, 2020, the Company sold all of its shares in NuFlare Technology, Inc., which was accounted for under the equity method.

## 15. Loss on Impairment of Fixed Assets

Grouping of assets is based on the business units, except for idle assets, which are grouped individually.

The Company wrote down the carrying amount of idle assets to the recoverable amount and recognized loss on impairment of fixed assets ¥19 million in the consolidated statement of income for the year ended March 31, 2020.

The recoverable amount of the assets is measured at the net selling value, which is calculated based on the memorandum value.

The loss on impairment of fixed assets for the year ended March 31, 2020 consisted of the following:

|                                 | Millions of<br>yen | Thousands of<br>U.S. dollars |
|---------------------------------|--------------------|------------------------------|
|                                 | 2020               | 2020                         |
| Zama, Kanagawa, Japan:          |                    |                              |
| Idle property (company housing) |                    |                              |
| Buildings and structures        | ¥ 19               | <b>\$182</b>                 |
| Total                           | ¥ 19               | <b>\$182</b>                 |

There was no applicable matter for the years ended March 31, 2020.

## 16. Extra retirement payments

Extra retirement payments for the year ended March 31, 2020 include special additional retirement bonuses and other expenses with the implementation of the voluntary retirement measures.

## 17. Shareholders' Equity

The Corporation Law of Japan (the "Law"), which went into effect on May 1, 2006, provides that an amount equal to 10% of the amount to be distributed as distribution of additional paid in capital (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.



## 18. Other Comprehensive Income

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

|                                                                                     | Millions of yen |         | Thousands of<br>U.S. dollars |
|-------------------------------------------------------------------------------------|-----------------|---------|------------------------------|
|                                                                                     | 2020            | 2019    | 2020                         |
| Unrealized holding gain (loss) on securities:                                       |                 |         |                              |
| Current period changes in unrealized gain (loss)                                    | <b>¥(906)</b>   | ¥(962)  | <b>\$(8,332)</b>             |
| Reclassification adjustment                                                         | <b>176</b>      | (186)   | <b>1,618</b>                 |
| Total unrealized holding gain (loss) on securities before tax effects               | <b>(730)</b>    | (1,148) | <b>(6,714)</b>               |
| Tax effects                                                                         | <b>193</b>      | 344     | <b>1,781</b>                 |
| Unrealized holding gain (loss) on securities, net of tax effects                    | <b>(536)</b>    | (804)   | <b>(4,934)</b>               |
| Deferred gains or losses on hedges                                                  |                 |         |                              |
| Current period changes                                                              | <b>0</b>        | (3)     | <b>4</b>                     |
| Total deferred gains or losses on hedges before tax effects                         | <b>0</b>        | (3)     | <b>4</b>                     |
| Tax effects                                                                         | <b>(0)</b>      | 1       | <b>(1)</b>                   |
| Deferred gains or losses on hedges, net of tax effects                              | <b>0</b>        | (2)     | <b>3</b>                     |
| Foreign currency translation adjustments:                                           |                 |         |                              |
| Current period changes                                                              | <b>(867)</b>    | 104     | <b>(7,972)</b>               |
| Remeasurements of defined benefit plans                                             |                 |         |                              |
| Current period changes in remeasurements of defined benefit plans                   | <b>(355)</b>    | (33)    | <b>(3,271)</b>               |
| Reclassification adjustment                                                         | <b>127</b>      | 162     | <b>1,175</b>                 |
| Total remeasurements of defined benefit plans before tax effect                     | <b>(228)</b>    | 128     | <b>(2,096)</b>               |
| Tax effects                                                                         | <b>—</b>        | —       | <b>—</b>                     |
| Remeasurements of defined benefit plans, net of tax effects                         | <b>(228)</b>    | 128     | <b>(2,096)</b>               |
| Share of other comprehensive income of affiliates accounted for using equity method |                 |         |                              |
| Current period changes                                                              | <b>15</b>       | (29)    | <b>145</b>                   |
| Reclassification adjustment                                                         | <b>61</b>       | —       | <b>569</b>                   |
| Share of other comprehensive income of affiliates accounted for using equity method | <b>77</b>       | (29)    | <b>714</b>                   |
| Total other comprehensive income (loss)                                             | <b>¥(1,554)</b> | ¥(603)  | <b>\$(14,285)</b>            |

## 19. Cash Flow Information

### Cash and Cash Equivalents

The reconciliation between cash and time deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at March 31, 2020 and 2019 were as follows:

|                           | Millions of yen |         | Thousands of<br>U.S. dollars |
|---------------------------|-----------------|---------|------------------------------|
|                           | 2020            | 2019    | 2020                         |
| Cash and time deposits    | <b>¥47,907</b>  | ¥25,592 | <b>\$440,204</b>             |
| Marketable securities     | <b>104</b>      | —       | <b>956</b>                   |
| Cash and cash equivalents | <b>¥48,011</b>  | ¥25,592 | <b>\$441,160</b>             |

## 20. Leases

This disclosure has been omitted for the year ended March 31, 2020 based on immateriality.

## 21. Financial Instruments

### Overview

#### (a) Policy for financial instruments

The Companies invest in short-term deposits for fund management, where temporary cash surplus is invested in low-risk financial instruments. The Companies raise funds through bank borrowings. The Companies use derivatives only to reduce risk, and do not enter into derivative transactions for speculative trading purposes.

#### (b) Financial instruments, related risk and risk management system

Operating receivables, such as notes and accounts receivable, trade are exposed to customer credit risk. The Companies try to reduce this risk by adhering to their sales management rules. Investments, consisting of marketable securities of corporations, are exposed to stock price fluctuation risk in the market. To address this risk, the Companies review stock prices in every quarter. Operating payables, such as notes and accounts payable, trade are mainly due within six months. Borrowings are mainly used in for normal operations and capital investments. The maturity of borrowings is up to four years from the balance sheet date at the maximum.

Derivative transactions consist of foreign exchange forward contracts, etc. used for the purpose of hedging foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. These derivative transactions are managed under the internal management policies, to the extent deemed necessary. Note 23, "Derivative Financial Instruments," provides more information on hedge accounting, hedging instruments and methods, hedging policy, hedged items and assessments of hedge effectiveness.

The Finance Department of the Companies prepares and updates its cash flow plan to manage liquidity risk. A part of bank borrowings are subject to terms of financial covenants. If the Companies violate the terms of the financial covenants, the terms of the borrowings may be possibly revised.

The terms of the financial covenants related to a syndicated loan contract (¥4,000 million (\$36,755 thousand) at March 31, 2020) are as follows:

- ① At March 31 and September 30 every year, the Company must maintain net assets in the consolidated balance sheet over ¥57,840 million (\$531,471 thousand).
- ② In the consolidated statement of income for the fiscal year ending March 31, the Company must not record operating loss for two consecutive years.

#### (c) Supplemental information on the fair value of financial instruments

Fair value of financial instruments is calculated based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to a change in underlying assumptions. The contract amounts of derivatives presented in Note 23, "Derivative Financial Instruments," below do not represent the actual market risk associated with derivative transactions.

## Fair value of financial instruments

Carrying value of financial instruments as of March 31, 2020 and 2019, and their fair value were as follows:  
(Financial instruments whose fair value was extremely difficult to determine were not included.)

|                                                 | Millions of yen |                |             |                |            |            |
|-------------------------------------------------|-----------------|----------------|-------------|----------------|------------|------------|
|                                                 | 2020            |                |             | 2019           |            |            |
|                                                 | Carrying value  | Fair value     | Difference  | Carrying value | Fair value | Difference |
| Cash and deposits                               | <b>¥47,907</b>  | <b>¥47,907</b> | <b>¥—</b>   | ¥25,592        | ¥25,592    | ¥—         |
| Notes and accounts receivable, trade            | <b>36,064</b>   | <b>36,064</b>  | <b>(0)</b>  | 37,405         | 37,406     | 0          |
| Marketable securities and investment securities | <b>5,799</b>    | <b>5,799</b>   | <b>—</b>    | 17,606         | 17,857     | 251        |
| <b>Total assets</b>                             | <b>¥89,771</b>  | <b>¥89,771</b> | <b>¥(0)</b> | ¥80,604        | ¥80,857    | ¥252       |
| Short-term bank loans                           | <b>¥10,090</b>  | <b>¥10,090</b> | <b>¥—</b>   | ¥10,090        | ¥10,090    | ¥—         |
| Notes and accounts payable, trade               | <b>21,279</b>   | <b>21,279</b>  | <b>—</b>    | 28,207         | 28,207     | —          |
| Long-term debt                                  | <b>4,300</b>    | <b>4,309</b>   | <b>9</b>    | 4,300          | 4,309      | 9          |
| <b>Total liabilities</b>                        | <b>¥35,669</b>  | <b>¥35,678</b> | <b>¥9</b>   | ¥42,597        | ¥42,606    | ¥9         |
| Derivatives                                     | <b>¥0</b>       | <b>¥0</b>      | <b>¥—</b>   | ¥(19)          | ¥(19)      | ¥—         |

|                                                 | Thousands of U.S. dollars |                  |              |
|-------------------------------------------------|---------------------------|------------------|--------------|
|                                                 | 2020                      |                  |              |
|                                                 | Carrying value            | Fair value       | Difference   |
| Cash and deposits                               | <b>\$440,204</b>          | <b>\$440,204</b> | <b>\$—</b>   |
| Notes and accounts receivable, trade            | <b>331,387</b>            | <b>331,385</b>   | <b>(2)</b>   |
| Marketable securities and investment securities | <b>53,292</b>             | <b>53,292</b>    | <b>—</b>     |
| <b>Total assets</b>                             | <b>\$824,883</b>          | <b>\$824,880</b> | <b>\$(2)</b> |
| Short-term bank loans                           | <b>\$92,713</b>           | <b>\$92,713</b>  | <b>\$—</b>   |
| Notes and accounts payable, trade               | <b>195,529</b>            | <b>195,529</b>   | <b>—</b>     |
| Long-term debt                                  | <b>39,511</b>             | <b>39,597</b>    | <b>86</b>    |
| <b>Total liabilities</b>                        | <b>\$327,754</b>          | <b>\$327,839</b> | <b>\$86</b>  |
| Derivatives                                     | <b>\$4</b>                | <b>\$4</b>       | <b>\$—</b>   |

Note : Derivatives are presented as net amounts receivable or payable with net amounts payable in parentheses.

### (a) Method for calculating fair value of financial instruments, short-term investments and derivative transactions

#### ① Cash and deposits

The carrying value approximates fair value because these are due within the short-term.

#### ② Notes and accounts receivable, trade

The fair value of notes and accounts receivable, trade is classified based on certain terms and discounted using interest rate which reflects credit risk.

#### ③ Marketable securities and investment securities

Investment securities are listed shares, and based on quoted market prices. Marketable securities are mutual fund, and based on quoted financial institutions.

#### ④ Short-term bank loans; ⑤ Notes and accounts payable, trade

The carrying value approximates fair value because these are due within the short-term.

#### ⑥ Long-term debt

The fair value of long-term debt is determined based on the present value of the principal and interest, discounted by the interest rate that would be applied if similar new borrowings were entered into.

#### ⑦ Derivatives

Please refer to Note 23, "Derivative Financial Instruments"

(b) Financial instruments whose fair value was extremely difficult to determine at March 31, 2020 and 2019 were as follows:

|                                                                     | Millions of yen |      | Thousands of U.S. dollars |
|---------------------------------------------------------------------|-----------------|------|---------------------------|
|                                                                     | 2020            | 2019 | 2020                      |
| Investment securities for which the market prices are not available | ¥864            | ¥772 | \$7,943                   |

Market prices are not available for these items, or the cost of estimating future cash flow is considered prohibitive. As a result, these items are not included in ③Marketable securities and investment securities in the above table, because their fair value is not readily determinable.

(c) The aggregate annual maturities of financial assets at March 31, 2020 and 2019 were as follows:

|                                                  | Millions of yen     |                                       |                                        |                     |                     |                                       |                                        |                     |
|--------------------------------------------------|---------------------|---------------------------------------|----------------------------------------|---------------------|---------------------|---------------------------------------|----------------------------------------|---------------------|
|                                                  | 2020                |                                       |                                        |                     | 2019                |                                       |                                        |                     |
|                                                  | Due within one year | Due after one year through five years | Due after five years through ten years | Due after ten years | Due within one year | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits                                | ¥47,902             | ¥—                                    | ¥—                                     | ¥—                  | ¥25,586             | ¥—                                    | ¥—                                     | ¥—                  |
| Notes and accounts receivable, trade             | 35,733              | 330                                   | —                                      | —                   | 37,253              | 152                                   | —                                      | —                   |
| Marketable securities and investment securities: |                     |                                       |                                        |                     |                     |                                       |                                        |                     |
| Mutual Fund                                      | 104                 | —                                     | —                                      | —                   | —                   | —                                     | —                                      | —                   |
| Total                                            | ¥83,740             | ¥330                                  | ¥—                                     | ¥—                  | ¥62,839             | ¥152                                  | ¥—                                     | ¥—                  |

|                                                  | Thousands of U.S. dollars |                                       |                                        |                     |
|--------------------------------------------------|---------------------------|---------------------------------------|----------------------------------------|---------------------|
|                                                  | 2020                      |                                       |                                        |                     |
|                                                  | Due within one year       | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits                                | \$440,157                 | \$—                                   | \$—                                    | \$—                 |
| Notes and accounts receivable, trade             | 328,346                   | 3,041                                 | —                                      | —                   |
| Marketable securities and investment securities: |                           | 1,377                                 | —                                      | —                   |
| Mutual Fund                                      | 956                       | —                                     | —                                      | —                   |
| Total                                            | \$769,460                 | \$3,041                               | \$—                                    | \$—                 |

(d) Annual maturities of short-term bank loans and long-term debt

| Year ended March 31, 2020 | Millions of yen     |                                      |                                         |                                          |                                         |                      |
|---------------------------|---------------------|--------------------------------------|-----------------------------------------|------------------------------------------|-----------------------------------------|----------------------|
|                           | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Short-term bank loans     | ¥10,090             | ¥—                                   | ¥—                                      | ¥—                                       | ¥—                                      | ¥—                   |
| Long-term debt            | —                   | 500                                  | 500                                     | 3,300                                    | —                                       | —                    |
| Total                     | ¥10,090             | ¥500                                 | ¥500                                    | ¥3,300                                   | ¥—                                      | ¥—                   |

| Year ended March 31, 2019 | Millions of yen     |                                      |                                         |                                          |                                         |                      |
|---------------------------|---------------------|--------------------------------------|-----------------------------------------|------------------------------------------|-----------------------------------------|----------------------|
|                           | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Short-term bank loans     | ¥10,090             | ¥—                                   | ¥—                                      | ¥—                                       | ¥—                                      | ¥—                   |
| Long-term debt            | —                   | —                                    | 500                                     | 500                                      | 3,300                                   | —                    |
| Total                     | ¥10,090             | ¥—                                   | ¥500                                    | ¥500                                     | ¥3,300                                  | ¥—                   |

**Year ended March 31, 2020**

Thousands of U.S. dollars

|                       | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|-----------------------|---------------------|--------------------------------------|-----------------------------------------|------------------------------------------|-----------------------------------------|----------------------|
| Short-term bank loans | \$92,713            | \$—                                  | \$—                                     | \$—                                      | \$—                                     | \$—                  |
| Long-term debt        | —                   | 4,594                                | 4,594                                   | 30,323                                   | —                                       | —                    |
| <b>Total</b>          | <b>\$92,713</b>     | <b>\$4,594</b>                       | <b>\$4,594</b>                          | <b>\$30,323</b>                          | <b>\$—</b>                              | <b>\$—</b>           |

**22. Securities**

Information regarding marketable securities classified as other securities included in investment securities were as follows:

|                   | Millions of yen  |                |                  |                  |                |                  |
|-------------------|------------------|----------------|------------------|------------------|----------------|------------------|
|                   | 2020             |                |                  | 2019             |                |                  |
|                   | Acquisition cost | Carrying value | Unrealized gains | Acquisition cost | Carrying value | Unrealized gains |
| Equity securities | ¥2,384           | ¥5,695         | ¥3,311           | ¥2,709           | ¥6,751         | ¥4,041           |
|                   | <b>¥2,384</b>    | <b>¥5,695</b>  | <b>¥3,311</b>    | <b>¥2,709</b>    | <b>¥6,751</b>  | <b>¥4,041</b>    |

|                   | Thousands of U.S. dollars |                 |                  |
|-------------------|---------------------------|-----------------|------------------|
|                   | 2020                      |                 |                  |
|                   | Acquisition cost          | Carrying value  | Unrealized gains |
| Equity securities | \$21,910                  | \$52,336        | \$30,425         |
|                   | <b>\$21,910</b>           | <b>\$52,336</b> | <b>\$30,425</b>  |

Proceeds from sales and gain on sales of investment securities classified as other securities were ¥21,570 million (\$198,200 thousand) and ¥10,162 million (\$93,377 thousand) for the year ended March 31, 2020, and ¥306 million and ¥186 million for the year ended March 31, 2019, respectively.

Loss on valuation of investment securities classified as other securities was ¥311 million (\$2,864 thousand) for the year ended March 31, 2020. In the recognition of loss on valuation, total impairment is recognized when the fair value at the end of the fiscal year has fallen below 50% of the acquisition cost. When the fair value has fallen between 30% and 50%, an impairment of the amount deemed by taking into account recoverability etc. is recognized.

Mutual fund classified as marketable securities totaled ¥104 million (\$956 thousand) as of March 31, 2020. Non-marketable equity securities classified as other securities primarily consist of ¥84 million (\$774 thousand) and ¥88 million as of March 31, 2020 and 2019, respectively.

**23. Derivative Financial Instruments**

The Companies have entered into derivative transactions (foreign exchange contracts) in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The Company does not hold or issue derivative financial instruments for the purpose of speculative trading. Derivative transactions are entered into by the Finance Department under the rules approved by the Board of Directors. Derivative transactions are evaluated by the Corporate Auditing Office.

Derivatives not designated as hedging instruments at March 31, 2020 and 2019 were as follows:

Foreign exchange contracts

|                                              |                     | Millions of yen                    |            |                        |                 |                                    |            |                        |       |
|----------------------------------------------|---------------------|------------------------------------|------------|------------------------|-----------------|------------------------------------|------------|------------------------|-------|
|                                              |                     | 2020                               |            |                        |                 | 2019                               |            |                        |       |
| Hedged item                                  | Contract amount     | Contract amount due after one year | Fair value | Unrealized gain (loss) | Contract amount | Contract amount due after one year | Fair value | Unrealized gain (loss) |       |
| Appropriated accounting for foreign currency |                     |                                    |            |                        |                 |                                    |            |                        |       |
| Foreign exchange contracts:                  |                     |                                    |            |                        |                 |                                    |            |                        |       |
| Sell:                                        |                     |                                    |            |                        |                 |                                    |            |                        |       |
| U.S. dollars                                 | Accounts receivable | ¥39                                | ¥—         | ¥(2)                   | ¥(2)            | ¥6                                 | ¥—         | ¥(0)                   | ¥(0)  |
| Buy:                                         |                     |                                    |            |                        |                 |                                    |            |                        |       |
| Japanese yen                                 | Accounts payable    | 158                                | —          | 2                      | 2               | 826                                | —          | (19)                   | (19)  |
| Total                                        |                     | ¥198                               | ¥—         | ¥0                     | ¥0              | ¥833                               | ¥—         | ¥(19)                  | ¥(19) |

|                                              |                     | Thousands of U.S. dollars          |            |                        |        |
|----------------------------------------------|---------------------|------------------------------------|------------|------------------------|--------|
|                                              |                     | 2020                               |            |                        |        |
| Hedged item                                  | Contract amount     | Contract amount due after one year | Fair value | Unrealized gain (loss) |        |
| Appropriated accounting for foreign currency |                     |                                    |            |                        |        |
| Foreign exchange contracts:                  |                     |                                    |            |                        |        |
| Sell:                                        |                     |                                    |            |                        |        |
| U.S. dollars                                 | Accounts receivable | \$362                              | \$—        | \$(21)                 | \$(21) |
| Buy:                                         |                     |                                    |            |                        |        |
| Japanese yen                                 | Accounts payable    | 1,459                              | —          | 22                     | 2      |
| Total                                        |                     | \$1,820                            | \$—        | \$0                    | \$0    |

Derivatives designated as hedging instruments at March 31, 2020 and 2019 were as follows:

Foreign exchange contract, etc.

|                                              |                     | Millions of yen                    |            |                 |                                    |            |  |
|----------------------------------------------|---------------------|------------------------------------|------------|-----------------|------------------------------------|------------|--|
|                                              |                     | 2020                               |            |                 | 2019                               |            |  |
| Hedged item                                  | Contract amount     | Contract amount due after one year | Fair value | Contract amount | Contract amount due after one year | Fair value |  |
| Accounting in principle                      |                     |                                    |            |                 |                                    |            |  |
| Foreign exchange contracts:                  |                     |                                    |            |                 |                                    |            |  |
| Sell:                                        |                     |                                    |            |                 |                                    |            |  |
| U.S. dollars                                 | Accounts receivable | ¥93                                | ¥—         | ¥0              | ¥—                                 | ¥—         |  |
| Buy:                                         |                     |                                    |            |                 |                                    |            |  |
| U.S. dollars                                 | Accounts payable    | —                                  | —          | —               | 194                                | 0          |  |
| Appropriated accounting for foreign currency |                     |                                    |            |                 |                                    |            |  |
| Foreign exchange contracts:                  |                     |                                    |            |                 |                                    |            |  |
| Sell:                                        |                     |                                    |            |                 |                                    |            |  |
| U.S. dollars                                 | Accounts receivable | 2,267                              | —          | *               | 4,903                              | —          |  |
| Buy:                                         |                     |                                    |            |                 |                                    |            |  |
| U.S. dollars                                 | Accounts payable    | 85                                 | —          | *               | 27                                 | —          |  |
| Total                                        |                     | ¥2,447                             | ¥—         | ¥0              | ¥5,125                             | ¥—         |  |

|                                              |                     | Thousands of U.S. dollars |                                    |            |
|----------------------------------------------|---------------------|---------------------------|------------------------------------|------------|
|                                              |                     | <b>2020</b>               |                                    |            |
| Hedged item                                  |                     | Contract amount           | Contract amount due after one year | Fair value |
| Accounting in principle                      |                     |                           |                                    |            |
| Foreign exchange contracts:                  |                     |                           |                                    |            |
| Sell:                                        |                     |                           |                                    |            |
| U.S. dollars                                 | Accounts payable    | <b>\$863</b>              | <b>\$—</b>                         | <b>\$4</b> |
| Appropriated accounting for foreign currency |                     |                           |                                    |            |
| Foreign exchange contracts:                  |                     |                           |                                    |            |
| Sell:                                        |                     |                           |                                    |            |
| U.S. dollars                                 | Accounts receivable | <b>\$20,835</b>           | —                                  | *          |
| Buy:                                         |                     |                           |                                    |            |
| U.S. dollars                                 | Accounts payable    | <b>789</b>                | —                                  | *          |
| Total                                        |                     | <b>\$22,486</b>           | <b>\$—</b>                         | <b>\$4</b> |

Note : Foreign exchange contracts are accounted for using the appropriation method as part of the accounts receivable and accounts payable. Therefore, the fair value of foreign exchange contracts is included in the fair value of the underlying accounts receivable.

## 24. Employees' Retirement Benefits

### (a) Overview

The Company and certain subsidiaries have funded defined benefit plans, i.e., lump-sum payment plans and defined benefit pension plans, and defined contribution plans for employees. Certain overseas subsidiaries have unfunded defined benefit plans for benefit payments to their employees.

Certain domestic subsidiaries participate in multiemployer pension plans. Multiemployer pension plans, in which pension assets belonging to the Companies are not reasonably determinable, are accounted for as if those are defined contribution plans.

Certain domestic consolidated subsidiaries have adopted the simplified method in calculating their projected benefit obligation.

### (b) Defined benefit plans

- ① The changes in the retirement benefit obligation during the years ended March 31, 2020 and 2019 were as follows:

|                                                    | Millions of yen |         | Thousands of U.S. dollars |
|----------------------------------------------------|-----------------|---------|---------------------------|
|                                                    | <b>2020</b>     | 2019    | <b>2020</b>               |
| Retirement benefit obligation at beginning of year | <b>¥14,360</b>  | ¥14,141 | <b>\$131,953</b>          |
| Service cost                                       | <b>918</b>      | 929     | <b>8,439</b>              |
| Interest cost                                      | <b>0</b>        | 0       | <b>7</b>                  |
| Actuarial gain or loss                             | <b>139</b>      | (2)     | <b>1,280</b>              |
| Retirement benefit paid                            | <b>(961)</b>    | (709)   | <b>(8,831)</b>            |
| Retirement benefit obligation at end of year       | <b>¥14,457</b>  | ¥14,360 | <b>\$132,848</b>          |

② The changes in pension plan assets during the year ended March 31, 2020 and 2019 were as follows:

|                                          | Millions of yen |        | Thousands of U.S. dollars |
|------------------------------------------|-----------------|--------|---------------------------|
|                                          | 2020            | 2019   | 2020                      |
| Pension plan assets at beginning of year | <b>¥4,885</b>   | ¥4,829 | <b>\$44,889</b>           |
| Expected return on pension plan assets   | <b>71</b>       | 84     | <b>655</b>                |
| Actuarial gain or loss                   | <b>(216)</b>    | (35)   | <b>(1,991)</b>            |
| Contribution by the Companies            | <b>202</b>      | 197    | <b>1,859</b>              |
| Retirement benefit paid                  | <b>(254)</b>    | (190)  | <b>(2,339)</b>            |
| Pension plan assets at end of year       | <b>¥4,687</b>   | ¥4,885 | <b>\$43,073</b>           |

③ The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2020 and 2019 for the defined benefit plans

|                                                                               | Millions of yen |         | Thousands of U.S. dollars |
|-------------------------------------------------------------------------------|-----------------|---------|---------------------------|
|                                                                               | 2020            | 2019    | 2020                      |
| Funded retirement benefit obligation                                          | <b>¥4,886</b>   | ¥4,721  | <b>\$44,902</b>           |
| Pension plan assets at fair value                                             | <b>(4,687)</b>  | (4,885) | <b>(43,073)</b>           |
|                                                                               | <b>199</b>      | (163)   | <b>1,829</b>              |
| Unfunded retirement benefit obligation                                        | <b>9,571</b>    | 9,639   | <b>87,946</b>             |
| Net retirement benefit liability recognized in the consolidated balance sheet | <b>9,770</b>    | 9,475   | <b>89,775</b>             |
| Retirement benefit liability                                                  | <b>9,770</b>    | 9,475   | <b>89,775</b>             |
| Net retirement benefit liability recognized in the consolidated balance sheet | <b>¥9,770</b>   | ¥9,475  | <b>\$89,775</b>           |

④ The components of retirement benefit expense for the years ended March 31, 2020 and 2019 were as follows:

|                                   | Millions of yen |        | Thousands of U.S. dollars |
|-----------------------------------|-----------------|--------|---------------------------|
|                                   | 2020            | 2019   | 2020                      |
| Service cost                      | <b>¥918</b>     | ¥929   | <b>\$8,439</b>            |
| Interest assets                   | <b>0</b>        | 0      | <b>7</b>                  |
| Expected return on pension assets | <b>(71)</b>     | (84)   | <b>(655)</b>              |
| Actuarial gain or loss            | <b>127</b>      | 162    | <b>1,175</b>              |
| Retirement benefit expense        | <b>¥975</b>     | ¥1,007 | <b>\$8,966</b>            |

Note : Other than the retirement benefit expense above, ¥911 million (\$8,375 thousand) is posted in extra retirement payments under other expenses and losses for the years ended March 31, 2020.

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

|                        | Millions of yen |      | Thousands of U.S. dollars |
|------------------------|-----------------|------|---------------------------|
|                        | 2020            | 2019 | 2020                      |
| Actuarial gain or loss | <b>¥(228)</b>   | ¥128 | <b>\$(2,096)</b>          |
| Total                  | <b>¥(228)</b>   | ¥128 | <b>\$(2,096)</b>          |



- ⑥ Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2019 were as follows:

|                             | Millions of yen |      | Thousands of U.S. dollars |
|-----------------------------|-----------------|------|---------------------------|
|                             | 2020            | 2019 | 2020                      |
| Unrecognized actuarial loss | <b>¥1,165</b>   | ¥937 | <b>\$10,712</b>           |
| Total                       | <b>¥1,165</b>   | ¥937 | <b>\$10,712</b>           |

- ⑦ The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 were as follows:

|                                     | 2020        | 2019 |
|-------------------------------------|-------------|------|
| Domestic bonds                      | <b>53%</b>  | 51%  |
| Domestic equity securities          | <b>11</b>   | 13   |
| Foreign bonds                       | <b>15</b>   | 12   |
| Foreign equity securities           | <b>11</b>   | 14   |
| Insurance assets (General accounts) | <b>8</b>    | 8    |
| Other                               | <b>2</b>    | 2    |
| Total                               | <b>100%</b> | 100% |

The expected return on pension plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

- ⑧ The assumptions used in accounting for the above plans were as follows:

|                                                | 2020        | 2019 |
|------------------------------------------------|-------------|------|
| Discount rate                                  | <b>0.0%</b> | 0.0% |
| Expected rate of return on pension plan assets | <b>1.5</b>  | 1.5  |
| Expected rate of salary increase               | <b>9.4</b>  | 9.4  |

The expected rate of salary increase was the rate of increase points calculated using the age specific index of the expected rate of salary increase under the retirement benefits point system.

#### (c) Defined contribution plans

The required contributions to defined contribution plans of the Company and certain domestic consolidated subsidiaries for the years ended March 31, 2020 and 2019 were ¥169 million (\$1,559 thousand) and ¥170 million, respectively.

#### (d) Multiemployer pension plans

The required contributions to the multiemployer pension plans for the years ended March 31, 2020 and 2019 were ¥30 million (\$283 thousand) and ¥31 million, respectively.

- ① Funded status of the multiemployer pension plans as of the most recent calculation dates

|                                                                                                       | Millions of yen  |           | Thousands of U.S. dollars |
|-------------------------------------------------------------------------------------------------------|------------------|-----------|---------------------------|
|                                                                                                       | 2020             | 2019      | 2020                      |
| Amount of pension assets                                                                              | <b>¥127,216</b>  | ¥130,908  | <b>\$1,168,951</b>        |
| Total amount of actuarial obligations and minimum reserve in the pension financial calculation (Note) | <b>141,568</b>   | 146,380   | <b>1,300,824</b>          |
| Difference                                                                                            | <b>¥(14,351)</b> | ¥(15,471) | <b>\$(131,873)</b>        |

Note : This item was presented as “Amount of obligations” in the previous fiscal year.

② The Companies' portion of contributions in multiemployer pension plans

|                                                                              | <b>2020</b>   | <b>2019</b>   |
|------------------------------------------------------------------------------|---------------|---------------|
| The Companies' portion in the total contributions of the multiemployer plans | <b>0.612%</b> | <b>0.606%</b> |

The difference above was principally attributable to the differences in retained earnings of ¥(828) million (\$ (7,611) thousand) and ¥4,850 million in the pension financial calculation, at March 31, 2020 and 2019, respectively special reserve of ¥3,363 million (\$30,904 thousand) and ¥(1,486) million at March 31, 2020 and 2019 and unrecognized prior service cost of ¥16,886 million (\$155,166 thousand) and ¥18,834 million at March 31, 2020 and 2019, respectively.

Prior service cost of the plans is amortized by the straight-line method over 20 years. The Companies paid and recognized premium contributions of ¥31 million (\$286 thousand) and ¥30 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2020 and 2019, respectively.

The Companies' portion of contributions described above was not equal to the actual share to be allocated to the Companies.

## 25. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries generally comprise corporation, enterprise and prefectural and municipal inhabitants taxes. The statutory tax rates for the years ended March 31, 2020 and 2019 were approximately 29.9% and 30.0%, respectively.

The reconciliation between the statutory tax rate and effective tax rate for the year ended March 31, 2019 was omitted because such difference is less than 5% of the statutory tax rate.

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

|                                                            | <b>2020</b>   |
|------------------------------------------------------------|---------------|
| Statutory tax rate                                         | <b>29.9%</b>  |
| Per-capita portion of inhabitant tax                       | <b>0.3</b>    |
| Permanently non-deductible expenses                        | <b>0.3</b>    |
| Permanently non-taxable revenue such as dividends income   | <b>(0.8)</b>  |
| Change in valuation allowance                              | <b>(0.2)</b>  |
| Effects of elimination in consolidation                    | <b>25.6</b>   |
| Difference in statutory tax rates for foreign subsidiaries | <b>0.1</b>    |
| Tax on pensions                                            | <b>(12.1)</b> |
| Others                                                     | <b>(1.1)</b>  |
| Effective tax rate                                         | <b>42.0%</b>  |

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

|                                                                 | Millions of yen |          | Thousands of<br>U.S. dollars |
|-----------------------------------------------------------------|-----------------|----------|------------------------------|
|                                                                 | 2020            | 2019     | 2020                         |
| Deferred tax assets:                                            |                 |          |                              |
| Tax loss carry forwards (Note)                                  | ¥256            | ¥328     | \$2,361                      |
| Allowance for doubtful receivables                              | 322             | 123      | 2,960                        |
| Net defined benefit liability                                   | 2,589           | 2,568    | 23,795                       |
| Devaluation of inventories                                      | 709             | 721      | 6,515                        |
| Unrealized intercompany profit on inventories                   | 500             | 641      | 4,602                        |
| Accrued employee's bonuses                                      | 633             | 609      | 5,819                        |
| Devaluation of securities                                       | 257             | 327      | 2,368                        |
| Enterprise taxes payable                                        | 390             | 79       | 3,584                        |
| Other                                                           | 2,145           | 1,665    | 19,714                       |
| Total deferred tax assets                                       | ¥7,805          | ¥7,066   | \$71,718                     |
| Valuation allowance of tax loss carry forwards (Note)           | (256)           | (328)    | (2,361)                      |
| Valuation allowance of deductible temporary difference          | (2,642)         | (2,589)  | (24,280)                     |
| Subtotal Valuation allowance                                    | (2,899)         | (2,918)  | (26,641)                     |
| Net deferred tax assets                                         | ¥4,905          | ¥4,148   | \$45,077                     |
| Deferred tax liabilities:                                       |                 |          |                              |
| Deferral of gain on sale of fixed assets                        | (87)            | (91)     | (807)                        |
| Unrealized holding gain on securities                           | (978)           | (1,171)  | (8,987)                      |
| Asset retirement obligations                                    | (5)             | (5)      | (49)                         |
| Foreign consolidated subsidiaries' retained earnings            | (678)           | (763)    | (6,238)                      |
| Affiliates' retained earnings accounted for using equity method | —               | (1,441)  | —                            |
| Enterprise taxes receivable                                     | (0)             | (5)      | (5)                          |
| Others                                                          | (15)            | (33)     | (140)                        |
| Total deferred tax liabilities                                  | ¥(1,765)        | ¥(3,511) | \$(16,225)                   |
| Net deferred tax assets                                         | ¥3,139          | ¥636     | \$28,852                     |

Note : A breakdown of Tax loss carryforwards and valuation allowance by expiry date as of March 31, 2020 and 2019 were as follows:

|                        | Millions of yen             |                                            |                                              |                                               |                                              |                  | Total |
|------------------------|-----------------------------|--------------------------------------------|----------------------------------------------|-----------------------------------------------|----------------------------------------------|------------------|-------|
|                        | 2020                        |                                            |                                              |                                               |                                              |                  |       |
|                        | Due in one<br>years or less | Due after one<br>year through<br>two years | Due after two<br>year through<br>three years | Due after three<br>year through<br>four years | Due after four<br>year through<br>five years | After five years |       |
| Tax loss carryforwards | ¥110                        | ¥61                                        | ¥16                                          | ¥18                                           | ¥50                                          | ¥—               | ¥256  |
| Valuation allowance    | (110)                       | (61)                                       | (16)                                         | (18)                                          | (50)                                         | —                | (256) |
| Deferred tax assets    | ¥—                          | ¥—                                         | ¥—                                           | ¥—                                            | ¥—                                           | ¥—               | ¥—    |
|                        | Millions of yen             |                                            |                                              |                                               |                                              |                  | Total |
|                        | 2019                        |                                            |                                              |                                               |                                              |                  |       |
|                        | Due in one<br>years or less | Due after one<br>year through<br>two years | Due after two<br>year through<br>three years | Due after three<br>year through<br>four years | Due after four<br>year through<br>five years | After five years |       |
| Tax loss carryforwards | ¥108                        | ¥115                                       | ¥64                                          | ¥17                                           | ¥23                                          | ¥—               | ¥328  |
| Valuation allowance    | (108)                       | (115)                                      | (64)                                         | (17)                                          | (23)                                         | —                | (328) |
| Deferred tax assets    | ¥—                          | ¥—                                         | ¥—                                           | ¥—                                            | ¥—                                           | ¥—               | ¥—    |

| Thousands of U.S. dollars |                             |                                            |                                              |                                               |                                              |                  |         |
|---------------------------|-----------------------------|--------------------------------------------|----------------------------------------------|-----------------------------------------------|----------------------------------------------|------------------|---------|
| 2020                      |                             |                                            |                                              |                                               |                                              |                  |         |
|                           | Due in one<br>years or less | Due after one<br>year through<br>two years | Due after two<br>year through<br>three years | Due after three<br>year through<br>four years | Due after four<br>year through<br>five years | After five years | Total   |
| Tax loss carryforwards    | \$1,012                     | \$564                                      | \$155                                        | \$166                                         | \$464                                        | \$—              | \$2,361 |
| Valuation allowance       | (1,012)                     | (564)                                      | (155)                                        | (166)                                         | (464)                                        | —                | (2,361) |
| Deferred tax assets       | \$—                         | \$—                                        | \$—                                          | \$—                                           | \$—                                          | \$—              | \$—     |

The amount is determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.

## 26. Business Combinations

This disclosure has been omitted for the year ended March 31, 2020 based on immateriality.

## 27. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2020 based on immateriality.

## 28. Rental Property

This disclosure has been omitted for the year ended March 31, 2020 based on immateriality.

## 29. Segment Information

### (a) General information about reportable segments

The reportable segments of the Companies are the business units for which the Company is able to obtain respective financial information separately in order for Board of Directors to conduct periodic assessments to determine distribution of management resources and evaluate their business results.

The Companies' business is classified into certain segments based on the types of products and services. The Companies' segments are categorized into the following two reportable segments: "Molding Machinery" and "Machine Tools" based on the similarities of the economic nature, type of business and manufacturing method:

Molding Machinery: Injection molding machines, Die casting machines, Plastic extrusion

Machine Tools: Large size machine tools, Portal type machine tools, Machining centers, Horizontal boring machines, High-precision machines

### (b) Basis of measurement for reportable segment profit or loss, segment assets and other material items

The accounting treatment for the reportable business segments is generally the same as described in Note 2, "Summary of Significant Accounting Policies." Reportable segment income is calculated on the basis of operating income. The prices of intersegment transactions and transfers are calculated based on the market prices.

(c) Reportable segment information

Reportable segment information of the Companies for the years ended March 31, 2020 and 2019 were as follows:

|                      | Millions of yen     |               |           |                |          |             |              |
|----------------------|---------------------|---------------|-----------|----------------|----------|-------------|--------------|
|                      | Reportable segments |               |           | Other Products | Total    | Adjustments | Consolidated |
|                      | Molding Machinery   | Machine Tools | Sub total |                |          |             |              |
| Net sales:           |                     |               |           |                |          |             |              |
| External customers   | ¥77,206             | ¥29,684       | ¥106,891  | ¥9,869         | ¥116,761 | ¥—          | ¥116,761     |
| Inter-segment        | —                   | 13            | 13        | 2,915          | 2,928    | (2,928)     | —            |
| Total                | 77,206              | 29,697        | 106,904   | 12,785         | 119,689  | (2,928)     | 116,761      |
| Segment income       | ¥3,747              | ¥300          | ¥4,047    | ¥(568)         | ¥3,478   | ¥50         | ¥3,529       |
| Segment assets       | ¥71,929             | ¥34,787       | ¥106,717  | ¥16,560        | ¥123,277 | ¥31,005     | ¥154,283     |
| Others               |                     |               |           |                |          |             |              |
| Depreciation         | ¥1,021              | ¥560          | ¥1,581    | ¥199           | ¥1,781   | ¥—          | ¥1,781       |
| Capital expenditures | 1,111               | 194           | 1,305     | 435            | 1,741    | —           | 1,741        |

|                      | Millions of yen     |               |           |                |          |             |              |
|----------------------|---------------------|---------------|-----------|----------------|----------|-------------|--------------|
|                      | Reportable segments |               |           | Other Products | Total    | Adjustments | Consolidated |
|                      | Molding Machinery   | Machine Tools | Sub total |                |          |             |              |
| Net sales:           |                     |               |           |                |          |             |              |
| External customers   | ¥79,210             | ¥27,362       | ¥106,573  | ¥10,832        | ¥117,405 | ¥—          | ¥117,405     |
| Inter-segment        | —                   | 2             | 2         | 3,114          | 3,116    | (3,116)     | —            |
| Total                | 79,210              | 27,365        | 106,575   | 13,946         | 120,522  | (3,116)     | 117,405      |
| Segment income       | ¥3,510              | ¥(129)        | ¥3,380    | ¥436           | ¥3,817   | ¥16         | ¥3,834       |
| Segment assets       | ¥85,863             | ¥36,168       | ¥122,032  | ¥19,029        | ¥141,061 | ¥9,662      | ¥150,724     |
| Others               |                     |               |           |                |          |             |              |
| Depreciation         | ¥1,102              | ¥533          | ¥1,635    | ¥232           | ¥1,868   | ¥—          | ¥1,868       |
| Capital expenditures | 804                 | 212           | 1,016     | 178            | 1,195    | —           | 1,195        |

|                      | Thousands of U.S. dollars |               |           |                |             |             |              |
|----------------------|---------------------------|---------------|-----------|----------------|-------------|-------------|--------------|
|                      | Reportable segments       |               |           | Other Products | Total       | Adjustments | Consolidated |
|                      | Molding Machinery         | Machine Tools | Sub total |                |             |             |              |
| Netsales:            |                           |               |           |                |             |             |              |
| External customers   | \$709,422                 | \$272,762     | \$982,184 | \$90,692       | \$1,072,876 | \$—         | \$1,072,876  |
| Inter-segment        | —                         | 122           | 122       | 26,791         | 26,913      | (26,913)    | —            |
| Total                | 709,422                   | 272,884       | 982,306   | 117,483        | 1,099,789   | (26,913)    | 1,072,876    |
| Segment income       | \$34,434                  | \$2,760       | \$37,194  | \$(5,228)      | \$31,967    | \$461       | \$32,428     |
| Segment assets       | \$660,935                 | \$319,649     | \$980,585 | \$152,167      | \$1,132,752 | \$284,900   | \$1,417,652  |
| Others               |                           |               |           |                |             |             |              |
| Depreciation         | \$9,387                   | \$5,149       | \$14,536  | \$1,832        | \$16,368    | \$—         | \$16,368     |
| Capital expenditures | 10,210                    | 1,786         | 11,996    | 4,001          | 15,998      | —           | 15,998       |

Note : “Other products” is a business segment that is not included in the reportable segments. It included business activities related to industrial robots and electronic controls, etc.

(d) Difference between total reportable segments and consolidated financial statements

The main differences between total reportable segments and consolidated financial statements for the years ended March 31, 2020 and 2019 were as follows:

| Sales                                              | Millions of yen |          | Thousands of U.S. dollars |
|----------------------------------------------------|-----------------|----------|---------------------------|
|                                                    | 2020            | 2019     | 2020                      |
| Total reportable segments                          | <b>¥106,904</b> | ¥106,575 | <b>\$982,306</b>          |
| Other products                                     | <b>12,785</b>   | 13,946   | <b>117,483</b>            |
| Eliminations                                       | <b>(2,928)</b>  | (3,116)  | <b>(26,913)</b>           |
| Net sales in the consolidated financial statements | <b>¥116,761</b> | ¥117,405 | <b>\$1,072,876</b>        |

| Income                                                    | Millions of yen |        | Thousands of U.S. dollars |
|-----------------------------------------------------------|-----------------|--------|---------------------------|
|                                                           | 2020            | 2019   | 2020                      |
| Total reportable segments                                 | <b>¥4,047</b>   | ¥3,380 | <b>\$37,194</b>           |
| Other products                                            | <b>(568)</b>    | 436    | <b>(5,228)</b>            |
| Eliminations                                              | <b>50</b>       | 16     | <b>461</b>                |
| Operating income in the consolidated financial statements | <b>¥3,529</b>   | ¥3,834 | <b>\$32,428</b>           |

| Assets                                              | Millions of yen |          | Thousands of U.S. dollars |
|-----------------------------------------------------|-----------------|----------|---------------------------|
|                                                     | 2020            | 2019     | 2020                      |
| Total reportable segments                           | <b>¥106,717</b> | ¥122,032 | <b>\$980,585</b>          |
| Other products                                      | <b>16,560</b>   | 19,029   | <b>152,167</b>            |
| Company-wide assets                                 | <b>31,488</b>   | 10,046   | <b>289,333</b>            |
| Eliminations                                        | <b>(482)</b>    | (383)    | <b>(4,432)</b>            |
| Net assets in the consolidated financial statements | <b>¥154,283</b> | ¥150,724 | <b>\$1,417,652</b>        |

Note : Company-wide assets are mainly cash and cash equivalents, securities and investment securities that are not allocated to the reportable segments.

(e) Other information

① Information about products and services

Information about products and services is not disclosed because reportable segment information is based on products and services.

② Information about geographical areas

Sales information by country or geographical areas for the years ended March 31, 2020 and 2019 were as follows:

|               | Millions of yen |          | Thousands of U.S. dollars |
|---------------|-----------------|----------|---------------------------|
|               | 2020            | 2019     | 2020                      |
| Japan         | <b>¥55,393</b>  | ¥49,298  | <b>\$508,993</b>          |
| United States | <b>11,216</b>   | 14,198   | <b>103,066</b>            |
| China         | <b>22,603</b>   | 22,432   | <b>207,695</b>            |
| Other Asia    | <b>22,439</b>   | 23,710   | <b>206,192</b>            |
| Other         | <b>5,107</b>    | 7,765    | <b>46,930</b>             |
| Total         | <b>¥116,761</b> | ¥117,405 | <b>\$1,072,876</b>        |

Note : Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2020 and 2019 were as follows:

|               | Millions of yen |         | Thousands of U.S. dollars |
|---------------|-----------------|---------|---------------------------|
|               | 2020            | 2019    | 2020                      |
| Japan         | <b>¥17,627</b>  | ¥18,178 | <b>\$161,970</b>          |
| North America | <b>198</b>      | 205     | <b>1,820</b>              |
| Asia          | <b>2,715</b>    | 2,381   | <b>24,955</b>             |
| Total         | <b>¥20,541</b>  | ¥20,765 | <b>\$188,744</b>          |

③ Information about major customers

Information about major customers is not disclosed, because net sales to any customer did not exceed 10% of the consolidated net sales for the years ended March 31, 2020 and 2019.

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

Information about impairment loss on long-lived assets for the years ended March 31, 2020 was as follows:

|                  | Millions of yen |      | Thousands of U.S. dollars |
|------------------|-----------------|------|---------------------------|
|                  | 2020            | 2019 | 2020                      |
| MoldingMachinery | <b>¥—</b>       | ¥—   | <b>\$—</b>                |
| MachineTools     | —               | —    | —                         |
| Otherproducts    | —               | —    | —                         |
| Adjustments      | <b>19</b>       | —    | <b>182</b>                |
| Total            | <b>¥19</b>      | ¥—   | <b>\$182</b>              |

There was no applicable matter for the years ended March 31, 2019.

(g) Information about amortization of goodwill and unamortized balance for each reportable segment

There was no amortization of goodwill for the year ended March 31, 2020 and 2019.

(h) Information about gain on negative goodwill for each reportable segment

There was no applicable matter for the years ended March 31, 2020 and 2019.

### 30. Related Party Transactions

(a) Transactions with related parties

This disclosure has been omitted for the year ended March 31, 2020 and 2019 based on immateriality.

### (b) Summary of financial information for significant affiliate company

During the year ended March 31, 2019, the Company's significant affiliate is NuFlare Technology, Inc. A summary of financial information with NuFlare Technology, Inc. for the years ended March 31, 2019 was as follows:

|                                | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------|---------------------------|
|                                | 2020            | 2019    | 2020                      |
| Total current assets           | ¥—              | ¥85,936 | \$—                       |
| Total non-current assets       | —               | 14,171  | —                         |
| Total current liabilities      | —               | 26,643  | —                         |
| Total non-current liabilities  | —               | 1,113   | —                         |
| Total net assets               | —               | 72,351  | —                         |
| Net sales                      | —               | 57,320  | —                         |
| Net income before income taxes | —               | 11,983  | —                         |
| Net income                     | —               | 8,236   | —                         |

The Company sold all of its shares in NuFlare Technology, Inc. As a result, it is no longer an affiliate company for the year ended March 31, 2020.

### 31. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2020 and 2019 were as follows:

|                      | Yen      |          | U.S. dollars |
|----------------------|----------|----------|--------------|
|                      | 2020     | 2019     | 2020         |
| Net income per share | ¥304.06  | ¥169.03  | \$2.79       |
| Net assets per share | 3,605.47 | 3,447.10 | 33.13        |

The Company executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2018. Net assets per share and income per share are recalculated on the assumption that the consolidation of shares was executed at the beginning of the year ended March 31, 2019.

Basic information for the calculation of net income per share was as follows:

|                                                   | Thousands of shares |        | Thousands of U.S. dollars |
|---------------------------------------------------|---------------------|--------|---------------------------|
|                                                   | 2020                | 2019   |                           |
| Weighted-average number of shares of common stock | 24,135              | 24,135 |                           |

|                                                           | Millions of yen |        | Thousands of U.S. dollars |
|-----------------------------------------------------------|-----------------|--------|---------------------------|
|                                                           | 2020            | 2019   | 2020                      |
| Net income                                                | ¥7,338          | ¥4,079 | \$67,433                  |
| Net income not applicable to shareholders of common stock | —               | —      | —                         |
| Net income applicable to shareholders of common stock     | ¥7,338          | ¥4,079 | \$67,433                  |



Basic information for the calculation of net assets per share was as follows:

|                              | Thousands of shares |        |  |
|------------------------------|---------------------|--------|--|
|                              | 2020                | 2019   |  |
| Number of shares at year-end | <b>24,135</b>       | 24,135 |  |

|                                                        | Millions of yen |         | Thousands of U.S. dollars |
|--------------------------------------------------------|-----------------|---------|---------------------------|
|                                                        | 2020            | 2019    | 2020                      |
| Net assets                                             | <b>¥87,018</b>  | ¥83,197 | <b>\$799,582</b>          |
| Non-controlling interests in consolidated subsidiaries | —               | —       | —                         |
| Net assets applicable to shareholders of common stock  | <b>¥87,018</b>  | ¥83,197 | <b>\$799,582</b>          |

### 32. Short-term Bank Loans and Long-term Debt

The annual interest rates applicable to the short-term bank loans outstanding as of March 31, 2020 and 2019 ranged principally from 0.51% to 0.58% and 0.49% to 0.56%, respectively. Long-term debt as of March 31, 2020 and 2019 consisted of the following:

|                                                                                                          | Millions of yen |        | Thousands of U.S. dollars |
|----------------------------------------------------------------------------------------------------------|-----------------|--------|---------------------------|
|                                                                                                          | 2020            | 2019   | 2020                      |
| Loans, principally from Japanese banks and insurance companies:<br>maturing 2023, interest 0.53% - 0.85% | <b>¥4,300</b>   | ¥4,300 | <b>\$39,511</b>           |
|                                                                                                          | <b>4,300</b>    | 4,300  | <b>39,511</b>             |
| Less current portion                                                                                     | —               | —      | —                         |
|                                                                                                          | <b>¥4,300</b>   | ¥4,300 | <b>\$39,511</b>           |

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

| Year ending March 31 | Millions of yen | Thousands of    |
|----------------------|-----------------|-----------------|
|                      |                 | U.S. dollars    |
| 2021                 | ¥—              | \$—             |
| 2022                 | 500             | 4,594           |
| 2023                 | 500             | 4,594           |
| 2024                 | 3,300           | 30,323          |
| 2025 and later       | —               | —               |
| Total                | <b>¥4,300</b>   | <b>\$39,511</b> |

The aggregate annual maturities of finance lease obligations at March 31, 2020 were as follows:

| Year ending March 31 | Millions of yen | Thousands of |
|----------------------|-----------------|--------------|
|                      |                 | U.S. dollars |
| 2021                 | ¥32             | \$302        |
| 2022                 | 27              | 257          |
| 2023                 | 20              | 185          |
| 2024                 | 6               | 63           |
| 2025 and later       | 4               | 40           |
| Total                | <b>¥92</b>      | <b>\$846</b> |

### 33. Subsequent Event

#### (a) Cash dividends

The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2020, was approved at the meeting of the Board of Directors held on May 27, 2020 and June 1, 2020.

|                                                        | Type of shares | Cash dividends       | Cash dividends per share | Record date    | Effective date    |
|--------------------------------------------------------|----------------|----------------------|--------------------------|----------------|-------------------|
| Meeting of the Board of Directors held on May 27, 2020 | Common stock   | ¥1,025<br>(\$9,425)  | ¥42.50<br>(\$0.39)       | March 31, 2020 | June 15, 2020     |
| Meeting of the Board of Directors held on June 1, 2020 | Common stock   | ¥2,999<br>(\$27,566) | ¥124.30<br>(\$1.14)      | June 30, 2020  | September 2, 2020 |

#### (b) Withdrawal of the tender offer for the Company's shares by CITYINDEX 11 Co., Ltd.

A tender offer for the Company's shares (the "Tender Offer") was conducted on and after January 21, 2020 by City Index Eleventh Co., Ltd. (the "Tender Offeror") a subsidiary of Office Support K.K. The Tender Offeror made a public notice of withdrawal of the Tender Offer and submitted a notice of withdrawal of the Tender Offer on April 2, 2020. As of the date of the announcement, the Tender Offer was withdrawn.

#### (c) Discontinuation of the Allotment of Share Options without Contribution

Following the approval and passage of a proposal for the Allotment Options without Contribution at the extraordinary general meeting of shareholders held on March 27, 2020 the meeting of the Board of Directors held on the same day, had decided to allot the First Share Options-A (the "Share Options"). However, the meeting of the Board of Directors held on April 7, 2020 resolved to discontinue Share Options.

##### 1. Details of Share Options

###### (1) Number of Share Options

The latest total number of issued shares of the Company as of the Record Date (as defined in Section 4; hereafter the same) (excluding the number of the Company shares held by the Company).

###### (2) Form of allotment

Allotment to shareholders. The Share Options shall be allotted to the shareholders who are listed or recorded in the shareholder registry on the Record Date at the rate of one Share Option per share of the Company held by them. However, Share Options will not be allotted for the Company shares held by the Company.

###### (3) Amount to be paid in for Share Options

None

###### (4) Record Date

April 24, 2020

###### (5) Date on which the allotment of Share Options becomes effective

April 27, 2020

###### (6) Type and number of shares underlying Share Options

The type and number of shares underlying one Share Option shall be one common share of the Company.

###### (7) Exercise period for Share Options

From September 1, 2020 to December 31, 2020

###### (8) Value of assets required for exercise Share Options

① The form assets required to exercise each Share Option shall be cash, and the value thereof shall be an amount calculated by multiplying the Exercise Price (as defined in ② below) by the number of shares to be allotted.

- ② The amount of money per common share of the Company required to exercise the Share Options (the “Exercise Price”) shall be ¥1.
- (9) Conditions for exercise of Share Options
- ① Persons who fall under any of the items (i) through (iii) below (the “Ineligible Persons”) may not exercise the Share Options:
- (i) City Index Eleventh Co., Ltd. (the “Large-scale Purchaser”);
- (ii) Joint holder (meaning a “joint holder” defined in Article 27-23, paragraphs (5) of the Financial Instruments and Exchange Act and including a person deemed to be a joint holder pursuant to Article 27-23, paragraphs (6) of the same Act) or a specially related party (meaning a “specially related party” defined in Article 27-2, paragraph (7) of the Financial Instruments and Exchange Act) of a Large-scale Purchaser, including Mr. Yoshiaki Murakami, Ms. Mitsue Murakami, Ms. Aya Nomura, Ms. Rei Murakami, Mr. Yukihiko Nomura, Mr. Tatsuya Ikeda, Mr. Hironao Fukushima, Mr. Fuminori Nakashima, Mr. Masahiro Ohmura, Mita Securities Co., Ltd., Reno Co., Ltd., Fortis Co., Ltd., C&I Holdings Co., Ltd., Kabushiki Kaisha Minami-Aoyama Fudosan, Office Support K.K., ATRA Co., Ltd., S-Grant Co., Ltd., City Index Holdings Co., Ltd., and City Index Hospitality Co., Ltd.; or
- (iii) A person who the Company’s board of directors reasonably determines falls under either of the following, taking into account the Independent Committee’s recommendations:
- (a) A person who acquires or succeeds to a Share Option from any of the persons set forth in (i) above through to and including (iii) without the Company’s approval;
- (b) A “related party” of any of the persons set forth in (i) above through to and including (iii). A “related party” means investment banks, securities corporations, and other financial institutions that have concluded a financial advisory agreement with any of the persons set forth in (i) above through to and including (iii), other persons who share common substantial interests with those persons, tender offer agents, lawyers, accountants, other advisors, or persons who are substantially controlled by those persons or who act jointly or cooperatively with those persons. In deciding whether a partnership or other fund falls under a “related party,” the fund manager’s substantive identity and other factors shall be taken into account.
- ② A holder of Share Options may exercise its Share Options only if the Company determines that the holder is not an Ineligible Person, such as where the holder provides the Company with the following: a document containing its representations and warranties regarding the holder not being an Ineligible Person as listed in ① above (if the Share Options are exercised on behalf of a third party, including the third party not being an Ineligible Person in ① above), indemnifications and other matters designated by the Company; materials that demonstrate the satisfaction of conditions reasonably required by the Company; and a document required by any laws, regulations, or the like.
- ③ If, pursuant to applicable securities laws and other laws, regulations and the like of foreign countries, it is necessary to implement prescribed procedures or satisfy prescribed conditions with respect to exercise of the Share Options by any person residing in the jurisdiction of these laws, regulations and the like, the person residing in that jurisdiction may exercise the Share Options only if the Company deems that all of these procedures and conditions have been implemented or satisfied. Meanwhile, even if implementation or satisfaction of the above procedures and conditions by the Company would enable a person residing in that jurisdiction to exercise the Share Options, the Company will not be obligated to implement or satisfy them.
- ④ The confirmation regarding the satisfaction of the conditions specified in ③ above shall be pursuant to the procedures to be prescribed by the Company’s board of directors, which will be similar to those set forth in ② above.
- ⑤ No Stock Option may be partially exercised.

(10) Limitation on transfer of Share Options

Any transfer of the Share Options will require the approval of the Company's board of directors.

(11) Acquisition of Share Options

- ① If there is a resolution of the Company's board of directors on or after April 28, 2020, then on the acquisition date designated by the Company's board of directors, the Company may acquire all of the Share Options held by the holder of the Share Options (except the Company) that could be exercised in accordance with Section 9 ① and ② above, but that have not been exercised as of such acquisition date (hereinafter referred to as "Exercisable Share Options" in ② below) by providing, as consideration therefor, common shares of the Company in the number equivalent to the integer portion of the product of: (a) the number of Share Options to be acquired; and (b) the number of shares underlying one Share Option.
- ② If there is a resolution of the Company's board of directors on or after April 28, 2020, then on the acquisition date designated by the Company's board of directors, the Company may acquire the Share Options other than the Exercisable Share Options, held by the holder of all of the Share Options (except the Company) that have not been exercised as of such acquisition date. It may do this by providing, as a consideration therefor, with share options of the Company, the exercise of which by Ineligible Persons is subject to certain restrictions (i.e., subject to the contents described in the Exhibit), in the same number as the number of the Share Options to be acquired.
- ③ At any time not later than August 31, 2020, if the Company's board of directors considers it appropriate for the Company to acquire the Share Options, the Company may acquire all the Share Options without consideration on a date separately designated by the Company's board of directors.
- ④ The satisfaction of the conditions regarding acquisition of the Share Options pursuant to ① and ② above shall be confirmed by procedures similar to those set forth in Section 9 ②.

(12) Stated capital and capital reserves to be increased in conjunction with the issuance of shares by exercising Share Options

The amount of stated capital to be increased in conjunction with the issuance of shares by exercising Share Options shall be the product of the maximum amount of increase in stated capital calculated in accordance with Article 17 of the Rules of Corporate Accounting and 0.5, and if such calculated amount includes a fraction less than one yen, such fraction shall be rounded up. The amount of capital reserves to be increased shall be the difference in the maximum amount of increase in stated capital by the amount of stated capital to be increased.

(13) Method for requesting the exercise of the Share Options

- ① If the Share Options are to be exercised, the matters necessary for the request to exercise the Share Options shall be notified to the place accepting the request, set forth in Section 15, during the exercise period of the Share Options set forth in Section 7.
- ② If the Share Options are to be exercised, in addition to the notice for the request to exercise the Share Options provided in the preceding item, the total amount of assets to be contributed at the exercise of the Share Options shall be paid in cash to the account designated by the Company at the place handling payments, set forth in Section 16.
- ③ The request for the exercise of Share Options shall become effective on the date when all the matters necessary for the request have been notified to the place accepting the request, set forth in Section 15, and the total amount of assets to be contributed at the exercise of the Share Options have been paid in to the account set forth in the preceding item.

(14) Non-issuance of share option certificates

The Company will not issue share option certificates for the Share Options.

(15) Place of accepting requests for exercise of Share Options

Management Strategy Department of the Company

(16) Place of handling payments

Sumitomo Mitsui Trust Bank, Limited

(17) Others

Other than as set forth above, the decision-making for necessary matters regarding the issuance of the Share Options, and any other acts will be entrusted to the representative director president of the Company

2. Reason for discontinuation

The Company had planned from the outset to discontinue the allotment of Share Options in the event that the tender offer for the Company's shares (the "Tender Offer") by City Index Eleventh Co., Ltd. (the "Tender Offeror") a subsidiary of Office Support K.K. is withdrawn if the Company determines that there is no longer a need to trigger a countermeasure based on the guidelines for responding to a tender offer for the Company's shares by Office Support K.K. or its subsidiaries, respecting the opinion of the Independent Committee to the maximum extent possible.

Subsequently, following the withdrawal of the Tender Offer by the Tender Offeror on April 2, 2020, the Company carefully considered whether or not to discontinue the allotment of Share Options. The Board of Directors received a recommendation from the Independent Committee on April 7, 2020 that the discontinuation of the allotment of Share Options is appropriate. As a result of careful consideration in light of such recommendation, at the meeting of the Board of Directors on the same day resolved to discontinue the allotment of Share Options.

As a result of the discontinuation of the allotment of Share Options, the Company has withdrawn the securities notice for the offer of Share Options filed on March 27, 2020 and has not made the public notice of record date that was scheduled for April 8, 2020.

**(d) Commitment Line Agreement**

The Company entered into a syndicated commitment line increase agreement on May 1, 2020 as follows:

1. Purpose of the Agreement

To ensure that it can safely and flexibly meet any demand for funds.

2. Overview of the Commitment Line Agreement

- ① Participating Financial Institutions: Sumitomo Mitsui Banking Corporation, The Shizuoka Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited
- ② Composition amount: ¥20,000 million (\$183,773 thousand)  
(increase of ¥10,000 million (\$91,886 thousand))
- ③ Date of Contract Amendment: May 1, 2020
- ④ Settlement date: March 31, 2021
- ⑤ Guaranteed assets: Unsecured

**(e) Adoption of Remuneration for Granting Restricted Shares**

At the meeting of the Board of Directors held on June 1, 2020 resolved to adopt new share-based remuneration plans (the "Plan") that enlist two types of shares with transfer and other restrictions for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors). The plan was proposed at the 97th annual general meeting of shareholders held on June 29, 2020 and approved at the meeting.

1. Reasons for adopting the Plan

The Company has announced the "New 'Shibaura Machine' Long-term Vision 2030" as the long-term strategy to achieve both the resolving of social issues and the enhancing of corporate value through responding to megatrends facing the global manufacturing industry with outstanding technological innova-

tions, and “Management Reform Plan” as the medium-term management plan. The Plan entails granting share-based remuneration to the Eligible Directors with the objectives of giving them an incentive to achieve the performance targets stated in the “Management Reform Plan” and make continuous improvements to the corporate value through further strengthening the link between remuneration for Eligible Directors and the medium- to long-term performance of the Company and promoting shared values between the Eligible Directors and shareholders in accordance with the basic policy set forth as follows:

- ① Provide sound incentive to Directors by furnishing an appropriate mix of fixed remuneration composed of basic remuneration and variable remuneration composed of (i) share-based remuneration contingent on continuous service, (ii) bonus in cash linked to short-term performance, and (iii) share-based remuneration linked to medium- to long-term performance, underpinned by the objectives of transforming the Company into a highly profitable enterprise and achieving sustainable growth, with the aim of increasing the Company’s corporate value over the medium to long term
- ② Strongly motivate Directors to achieve the performance targets by linking the Company’s medium-term management plan, including the Management Reform Plan, and share-based remuneration
- ③ Share the benefits and risks of share price fluctuations with the shareholders by increasing the ratio of share-based remuneration and promoting the Directors’ shareholding

The share-based remuneration granted under the Plan further promotes a continuous sharing of value with shareholders under a system that restricts the transfer of shares until retirement of the Director.

## 2. Overview of the Plan

Under the Plan, the Company shall, based on the resolution of the Board of Directors, grant Eligible Directors with monetary remuneration claims for the allocation of restricted shares, and, by having the Eligible Directors make contribution in kind to the Company using all the monetary remuneration claims as contributed assets, shall issue or dispose of its common shares to the Eligible Directors and allow them to hold such shares. The Plan consists of two types of share-based remuneration plan; “continuous service-type restricted share-based remuneration,” which requires the Eligible Director’s continuous service for a certain period as the Company’s Director in order for the transfer restriction to be lifted, and the “performance-linked and restricted share-based remuneration,” in which the number of restricted shares to be granted varies in accordance with the achievement level of the performance targets established in advance by the Board of Directors. As a general rule, the date on which transfer restriction is lifted and the retirement date of a respective Director are one and the same under either plan.

# Independent Auditor's Report



Ernst & Young ShinNihon LLC  
Hibiya Mitsui Tower, Tokyo Midtown Hibiya  
1-1-2 Yurakucho, Chiyoda-ku  
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
ey.com

## Independent Auditor's Report

The Board of Directors  
Shibaura Machine Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Shibaura Machine Co., Ltd. (formerly known as Toshiba Machine 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 Committee 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 Committee is responsible for overseeing the Group's financial reporting process.



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## **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 Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with 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.





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### 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 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 29, 2020

向出 勇治 

Yuji Mukaide  
Designated Engagement Partner  
Certified Public Accountant

清本 雅哉 

Masaya Kiyomoto  
Designated Engagement Partner  
Certified Public Accountant

## Board Members

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**Directors Chairman and Chief Executive Officer**

Yukio Imura

**President and Chief Operating Officer**

Shigetomo Sakamoto

**Director and Executive Operating Officer**

Akiyoshi Kobayashi

Hiroaki Ota

**Outside Directors**

Kiyoshi Sato

Seigo Iwasaki

Hiroshi Inoue

Kazumine Terawaki

Chisa Hayakawa

**Director / Audit and Supervisory Committee Members**

Hiroshi Takahashi

**Outside Directors / Audit and Supervisory Committee Members**

Yoshihiro Ogura

Yutaka Usami

# **SHIBAURA MACHINE CO., LTD.**

## **Numazu Headquarters**

2068-3,Ooka,Numazu-shi,Shizuoka-ken 410-8510,Japan

TEL:81-(0)55-926-5141

FAX:81-(0)55-925-6501

## **Tokyo Main Branch**

2-2,Uchisaiwaicho 2 Chome,Chiyoda-ku,Tokyo 100-8503,Japan

TEL:81-(0)3-3509-0200

FAX:81-(0)3-3509-0333

URL <https://www.shibaura-machine.co.jp/>