

*Mitsui High-tec, Inc. and  
Subsidiaries*

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

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Mitsui High-tec, Inc.:

We have audited the accompanying consolidated balance sheet of Mitsui High-tec, Inc. and its subsidiaries (collectively, the "Group") as of January 31, 2020, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of January 31, 2020, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

DELOITTE TOUCHE TOHMATSU LLC  
Fukuoka, Japan

April 20, 2020

## Mitsui High-tec, Inc. and Subsidiaries

### Consolidated Balance sheet Year Ended January 31, 2020

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020		2020	2019	2020
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents (Note 13)	¥ 19,112	¥ 19,373	\$ 175,243	Current portion of long-term debt (Notes 7 and 13)	¥ 1,980	¥ 1,680	\$ 18,155
Short-term investments (Notes 3 and 13)	382	370	3,503	Accounts payable—trade (Note 13)	5,806	5,088	53,237
Notes and accounts receivable—trade (Note 13)	14,517	12,821	133,110	Income taxes payable (Note 13)	358	256	3,283
Allowance for doubtful accounts	(12)	(11)	(110)	Current portion of long-term lease obligations	28		257
Inventories (Note 4)	7,393	7,287	67,788	Accrued expenses and other	3,794	3,111	34,787
Prepaid expenses and other	2,012	2,085	18,449				
<b>Total current assets</b>	<b>43,404</b>	<b>41,925</b>	<b>397,983</b>	<b>Total current liabilities</b>	<b>11,966</b>	<b>10,135</b>	<b>109,719</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				<b>LONG-TERM LIABILITIES:</b>			
Land (Note 6)	7,634	7,705	69,998	Long-term debt (Notes 7 and 13)	31,250	26,230	286,540
Buildings and structures (Note 6)	35,287	34,889	323,556	Liability for employees' retirement benefits (Note 8)	98	72	899
Machinery and equipment	59,319	56,166	543,912	Retirement benefits to directors and corporate auditors	183	183	1,678
Furniture and fixtures	22,795	21,562	209,013	Provision for loss on business liquidation		47	
Right of use assets	1,442		13,222	Long-term lease obligations	152		1,393
Construction in progress	4,440	1,864	40,712				
<b>Total</b>	<b>130,917</b>	<b>122,186</b>	<b>1,200,413</b>	<b>Total long-term liabilities</b>	<b>31,683</b>	<b>26,532</b>	<b>290,510</b>
Accumulated depreciation	(87,507)	(81,764)	(802,375)				
<b>Net property, plant and equipment</b>	<b>43,410</b>	<b>40,422</b>	<b>398,038</b>	<b>EQUITY (Note 9):</b>			
<b>INVESTMENTS AND OTHER ASSETS:</b>				Common stock—authorized, 94,595,700 shares; issued, 39,466,865 shares	16,404	16,404	150,413
Investment securities (Notes 5 and 13)	1,060	837	9,719	Capital surplus	14,661	14,661	134,431
Asset for employees' retirement benefits (Note 8)	319	230	2,925	Retained earnings	18,833	19,607	172,685
Deferred tax assets (Note 10)	296	429	2,714	Treasury stock—at cost, 2,911,700 shares in 2020 and 1,802,530 shares in 2019	(3,034)	(1,557)	(27,820)
Other assets	1,019	1,158	9,344	Accumulated other comprehensive income:			
<b>Total investments and other assets</b>	<b>2,694</b>	<b>2,654</b>	<b>24,702</b>	Unrealized gain on available-for-sale securities	214	269	1,962
				Foreign currency translation adjustments	(1,367)	(1,175)	(12,534)
				Defined retirement benefit plans	(80)	(77)	(734)
				<b>Total</b>	<b>45,631</b>	<b>48,132</b>	<b>418,403</b>
				Noncontrolling interests	228	202	2,091
				<b>Total equity</b>	<b>45,859</b>	<b>48,334</b>	<b>420,494</b>
<b>TOTAL</b>	<b>¥ 89,508</b>	<b>¥ 85,001</b>	<b>\$ 820,723</b>	<b>TOTAL</b>	<b>¥ 89,508</b>	<b>¥ 85,001</b>	<b>\$ 820,723</b>

See notes to consolidated financial statements.

## Mitsui High-tec, Inc. and Subsidiaries

### Consolidated Statement of operations Year Ended January 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2020</u>	<u>2019</u>	<u>2020</u>
NET SALES	¥ 86,970	¥ 81,986	\$ 797,451
COST OF SALES	<u>77,930</u>	<u>72,575</u>	<u>714,561</u>
Gross profit	9,040	9,411	82,890
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	<u>9,021</u>	<u>8,911</u>	<u>82,716</u>
Operating income	<u>19</u>	<u>500</u>	<u>174</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	125	117	1,146
Interest expense	(90)	(57)	(825)
Rental income from real estate	108	62	990
Foreign exchange (loss) gain – net	(11)	171	(101)
Subsidy income	570	213	5,226
Reversal of provision for loss on business liquidation		29	
Loss on sales and disposal of property, plant and equipment	(84)	(53)	(771)
Loss on reduction of non-current assets	(31)		(284)
Loss on impairment of long-lived assets (Note 12)	(700)	(145)	(6,418)
Other – net	<u>86</u>	<u>78</u>	<u>789</u>
Other (expenses) income – net	<u>(27)</u>	<u>415</u>	<u>(248)</u>
(LOSS) INCOME BEFORE INCOME TAXES	<u>(8)</u>	<u>915</u>	<u>(74)</u>
INCOME TAXES (Note 10):			
Current	426	341	3,906
Deferred	154	238	1,412
Total income taxes	<u>580</u>	<u>579</u>	<u>5,318</u>
NET (LOSS) INCOME	(588)	336	(5,392)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>37</u>	<u>33</u>	<u>339</u>
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ (625)</u>	<u>¥ 303</u>	<u>\$ (5,731)</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net (loss) income	¥ (16.86)	¥ 7.98	\$ 0.15
Cash dividends applicable to the year	6.0	6.0	0.06

See notes to consolidated financial statements.

## Mitsui High-tec, Inc. and Subsidiaries

### Consolidated Statement of Comprehensive Income Year Ended January 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2020</u>	<u>2019</u>	<u>2020</u>
NET (LOSS) INCOME	¥ (588)	¥ 336	\$ (5,392)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 15):			
Unrealized loss on available-for-sale securities	(54)	(150)	(495)
Foreign currency translation adjustments	(192)	(682)	(1,760)
Defined retirement benefit plans	(3)	(47)	(28)
Total other comprehensive loss	<u>(249)</u>	<u>(879)</u>	<u>(2,283)</u>
COMPREHENSIVE LOSS	<u>¥ (837)</u>	<u>¥ (543)</u>	<u>\$ (7,675)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (874)	¥ (576)	\$ (8,014)
Noncontrolling interests	37	33	339

See notes to consolidated financial statements.

**Mitsui High-tec, Inc. and Subsidiaries**
**Consolidated Statement of Changes in Equity  
Year Ended January 31, 2020**

	Thousands	Millions of Yen									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated other comprehensive income			Total	Noncontrolling Interests	Total Equity
						Unrealized Gain on Available-for- sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, FEBRUARY 1, 2018	38,365	¥ 16,404	¥ 17,252	¥ 19,840	¥ (3,076)	¥ 418	¥ (493)	¥ (30)	¥ 50,315	¥ 179	¥ 50,494
Net income attributable to owners of the parent				303					303		303
Cash dividends, ¥14.0 per share				(536)					(536)		(536)
Purchase of treasury stock	(701)				(1,072)				(1,072)		(1,072)
Decrease in treasury stock			(2,591)		2,591						
Net changes in the year						(149)	(682)	(47)	(878)	23	(855)
BALANCE, JANUARY 31, 2019	37,664	¥ 16,404	¥ 14,661	¥ 19,607	¥ (1,557)	¥ 269	¥ (1,175)	¥ (77)	¥ 48,132	¥ 202	¥ 48,334
Net loss attributable to owners of the parent				(625)					(625)		(625)
Cash dividends, ¥4.0 per share				(149)					(149)		(149)
Purchase of treasury stock	(1,109)				(1,477)				(1,477)		(1,477)
Net changes in the year						(55)	(192)	(3)	(250)	26	(224)
BALANCE, JANUARY 31, 2020	<u>36,555</u>	<u>¥ 16,404</u>	<u>¥ 14,661</u>	<u>¥ 18,833</u>	<u>¥ (3,034)</u>	<u>¥ 214</u>	<u>¥ (1,367)</u>	<u>¥ (80)</u>	<u>¥ 45,631</u>	<u>¥ 228</u>	<u>¥ 45,859</u>

	Thousands of U.S. Dollars (Note 1)										
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated other comprehensive income			Total	Noncontrolling Interests	Total Equity
						Unrealized Gain on Available-for- sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, JANUARY 31, 2019		\$ 150,413	\$ 134,431	\$ 179,782	\$ (14,277)	\$ 2,467	\$ (10,774)	\$ (706)	\$ 441,336	\$ 1,852	\$ 443,188
Net loss attributable to owners of the parent				(5,731)					(5,731)		(5,731)
Cash dividends, \$0.04 per share				(1,366)					(1,366)		(1,366)
Purchase of treasury stock					(13,543)				(13,543)		(13,543)
Net changes in the year						(505)	(1,760)	(28)	(2,293)	239	(2,054)
BALANCE, JANUARY 31, 2020		<u>\$ 150,413</u>	<u>\$ 134,431</u>	<u>\$ 172,685</u>	<u>\$ (27,820)</u>	<u>\$ 1,962</u>	<u>\$ (12,534)</u>	<u>\$ (734)</u>	<u>\$ 418,403</u>	<u>\$ 2,091</u>	<u>\$ 420,494</u>

See notes to consolidated financial statements.

## Mitsui High-tec, Inc. and Subsidiaries

### Consolidated Statement of Cash Flows Year Ended January 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2020</u>	<u>2019</u>	<u>2020</u>
<b>OPERATING ACTIVITIES:</b>			
(Loss) income before income taxes	¥ (8)	¥ 915	\$ (73)
Adjustments for:			
Income taxes – paid	(322)	(482)	(2,953)
Depreciation and amortization	7,156	6,157	65,615
Loss on impairment of long-lived assets	700	145	6,418
Foreign exchange (gain) loss – net	(35)	19	(321)
Loss on sale and disposal of property, plant and equipment	84	53	770
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable – trade	(1,741)	1,506	(15,964)
Increase in inventories	(126)	(639)	(1,155)
Increase in accounts payable – trade	744	501	6,822
(Increase) decrease in asset or liability for employees' retirement benefits	(62)	61	(568)
Decrease in provision for loss on business liquidation	(47)	(88)	(431)
Decrease/increase in consumption taxes receivable/payable	583	(448)	5,346
Other – net	(473)	(462)	(4,336)
Total adjustments	<u>6,461</u>	<u>6,323</u>	<u>59,243</u>
Net cash provided by operating activities	<u>6,453</u>	<u>7,238</u>	<u>59,170</u>
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant, equipment and intangible assets	(10,124)	(15,930)	(92,830)
Proceeds from sale of property, plant and equipment	19	10	174
Other – net	(322)	(96)	(2,953)
Net cash used in investing activities	<u>(10,427)</u>	<u>(16,016)</u>	<u>(95,609)</u>
<b>FORWARD</b>	<u>¥ (3,974)</u>	<u>¥ (8,778)</u>	<u>\$ (36,439)</u>

## Mitsui High-tec, Inc. and Subsidiaries

### Consolidated Statement of Cash Flows Year Ended January 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2020</u>	<u>2019</u>	<u>2020</u>
FORWARD	¥ (3,974)	¥ (8,778)	\$ (36,439)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	7,000	17,500	64,185
Repayments of long-term debt	(1,680)	(1,583)	(15,404)
Purchase of treasury stock	(1,477)	(1,072)	(13,543)
Dividends paid	(149)	(536)	(1,366)
Repayments of lease obligations	(22)		(202)
Other—net	(11)	(10)	(101)
Net cash provided by financing activities	<u>3,661</u>	<u>14,299</u>	<u>33,569</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>52</u>	<u>(136)</u>	<u>477</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(261)	5,385	(2,393)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,373</u>	<u>13,988</u>	<u>177,636</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 19,112</u>	<u>¥ 19,373</u>	<u>\$ 175,243</u>

See notes to consolidated financial statements.



# Mitsui High-tec, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements Year Ended January 31, 2020

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### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 consolidated financial statements to conform to the classifications used in 2020.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Mitsui High-tec, Inc. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109.06 to U.S. \$1, the approximate rate of exchange at January 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation** — The consolidated financial statements as of January 31, 2020 include the accounts of the Company and its 14 (14 in 2019) subsidiaries (collectively, the “Group”). Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Goodwill is amortized using the straight-line method over a period of 20 years. However, goodwill has not been incurred.

All significant intercompany balances, transactions, and unrealized profits included in inventories and fixed assets resulting from transactions within the Group have been eliminated.

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

- c. **Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and exposed to an insignificant risk of changes in value.

Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

- d. **Inventories** — Inventories are principally stated at the lower of cost, substantially determined by the specific-cost method, or net realizable value, except for certain products, raw materials and supplies which are stated at the lower of cost, determined by the moving-average method, or net realizable value.

- e. **Investment Securities** — Investment securities are classified and accounted for, depending on management's intent. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- f. **Depreciation and Amortization** — Depreciation of property, plant and equipment is primarily computed by the declining-balance method over the estimated useful lives of the assets, except for the buildings acquired by the Company and its domestic subsidiaries after April 1, 1998, and building improvements and structures acquired by the Company and its domestic subsidiaries on or after April 1, 2016, which are computed by the straight-line method. The range of useful lives is principally from 31 to 47 years for buildings, and from 5 to 10 years for machinery and equipment.

Amortization of intangible assets included in other assets is computed by the straight-line method. Regarding software for internal use, amortization is computed by the straight-line method over the estimated useful lives (5 years).

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

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

- i. **Retirement and Pension Plan** — The Company and its some subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years no longer than the expected average remaining service period of the employees. ("standard method")

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date. The provisions for the retirement benefits are not funded. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

- j. **Bonuses to Directors** — Bonuses to directors are accrued at the end of year to which such bonuses are attributable.

- k. **Provision for Loss on Business Liquidation** — In order to reserve for loss on business liquidation, an estimated amount of loss on liquidation as of fiscal year end is recorded.

- l. Research and Development Costs** — Research and development costs are charged to income as incurred.
- m. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Group retrospectively applied the revised accounting standard effective February 1, 2019, and deferred tax assets of ¥194 million which were previously classified as current assets as of January 31, 2019, have been reclassified as investments and other assets in the accompanying consolidated balance sheet.

- n. Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- o. Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rate.
- p. Derivatives and Hedging Activities** — The Company uses foreign exchange forward contracts to manage its exposures to fluctuations in foreign exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until each maturity of the hedged transactions. The effectiveness of hedging instruments is determined based on the correlation of price fluctuations and cash flows between hedging instruments and hedged items for the period from the beginning of the hedge to the time of evaluation.

Foreign currency forward contracts are utilized to hedge foreign exchange exposures for export sales. Receivables denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for hedge accounting.

- q. Per Share Information** — Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the fiscal year.

Diluted net income per share is not disclosed in the accompanying consolidated statements of income as the Group does not have any dilutive securities.

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

**r. Changes in accounting policy**

From the beginning of the year ended January 31, 2020, foreign consolidated subsidiaries have adopted IFRS 16 Leases. With the adoption of IFRS 16 Leases, these companies applied transitional measures that recognize the cumulative effects of adoption of IFRS 16 as of the date of adoption, as is permitted for first-time adopters.

With regard to leases that the Group as lessee previously classified as operating leases by applying IAS 17, these leases were recognized as right of use assets and lease liabilities on the date of initial application. Land-use rights included under "other assets" within investments and other assets in prior years is now included in right of use assets as of the current consolidated fiscal year.

As a result of this change, on the consolidated balance sheets for the current consolidated fiscal year, among others right of use assets (under property, plant and equipment), lease obligations (under current liabilities) and lease obligations (under non-current liabilities) increased 1,442 million yen, 28 million yen and 152 million yen respectively, while other assets (under investments and other assets) decreased 449 million yen.

The change had a minimal impact on profit and loss and cash flows in the fiscal year.

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after February 1, 2022. Earlier adoption is permitted for annual periods beginning on or after February 1, 2019.

The Company expects to apply the accounting standard and guidance for the annual period beginning on February 1, 2022, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

### 3. SHORT-TERM INVESTMENTS

Short-term investments as of January 31, 2020 and 2019, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Time deposits which mature over three months from the date of acquisition	¥ 382	¥ 370	\$ 3,503

### 4. INVENTORIES

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

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Merchandise	¥ 601	¥ 570	\$ 5,511
Finished products	2,470	2,608	22,648
Work in process	1,966	2,112	18,027
Raw materials and supplies	2,093	1,868	19,191
Goods in transit	<u>263</u>	<u>129</u>	<u>2,411</u>
Total	<u>¥ 7,393</u>	<u>¥ 7,287</u>	<u>\$ 67,788</u>

### 5. INVESTMENT SECURITIES

Investment securities as of January 31, 2020 and 2019, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Non-current:			
Marketable equity securities	¥ 1,021	¥ 799	\$ 9,362
Nonmarketable equity securities	<u>39</u>	<u>38</u>	<u>357</u>
Total	<u>¥ 1,060</u>	<u>¥ 837</u>	<u>\$ 9,719</u>

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

	<u>Millions of Yen</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>January 31, 2020</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 713	¥ 351	43	¥ 1,021
<u>January 31, 2019</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 413	¥ 389	3	¥ 799

January 31, 2020	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 6,538	\$ 3,217	393	\$ 9,362

## 6. INVESTMENT PROPERTY

The Group holds some idle assets in Fukuoka and other areas. The net of rental income and operating expenses for those rental properties was ¥73 million (\$669 thousand) and ¥33 million for the fiscal years ended January 31, 2020 and January 31, 2019, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties were as follows:

Millions of Yen			
Carrying amount			Fair value
February 1, 2019	Increase/Decrease	January 31, 2020	January 31, 2020
¥ 1,143	¥	¥ 1,143	¥ 1,998

Millions of Yen			
Carrying amount			Fair value
February 1, 2018	Increase/Decrease	January 31, 2019	January 31, 2019
¥ 327	¥ 816	¥ 1,143	¥ 1,580

Thousands of U.S. Dollars			
Carrying amount			Fair value
February 1, 2019	Increase/Decrease	January 31, 2020	January 31, 2020
\$ 10,480	\$	\$ 10,480	\$ 18,329

Notes:

- 1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
- 2) Increase idle assets due to liquidation of assembly of IC package during the fiscal year ended January 31, 2019.
- 3) Fair value of properties is based on a real estate appraisal by an external real estate appraiser.

## 7. LONG-TERM DEBT

Long-term debt as of years ended January 31, 2020 and 2019 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unsecured loans from banks, with interest rates ranging from 0.1% to 0.5%, due 2029	¥ 33,230	¥ 27,910	\$ 304,695
Total	¥ 33,230	¥ 27,910	\$ 304,695
Less current portion	¥ (1,980)	¥ (1,680)	\$ (18,155)
Long-term debt, less current portion	¥ 31,250	¥ 26,230	\$ 286,540

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

Year ending January 31	Millions of Yen	Thousands of U.S. Dollars
2021	1,980	18,155
2022	2,312	21,199
2023	6,782	62,186
2024	10,299	94,434
2025	2,115	19,393
2026 and thereafter	9,742	89,328
Total	¥ 33,230	\$ 304,695

## 8. RETIREMENT AND PENSION PLANS

The Company and its some subsidiaries have funded pension plans and unfunded retirement benefit plans as defined benefit plans and the Company also has a defined contribution plan for employees.

Under most circumstances in the defined benefit plan, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

### Defined benefit plans

(1) The changes in defined benefit obligation for the years ended January 31, 2020 and 2019, excluding plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 5,643	¥ 5,535	\$ 51,742
Current service cost	350	368	3,209
Interest cost	29	29	266
Actuarial losses	3	24	28
Benefits paid	(340)	(310)	(3,118)
Others	6	(3)	55
	¥ 5,691	¥ 5,643	\$ 52,182

(2) The changes in plan assets for the years ended January 31, 2020 and 2019, excluding plans applying the simplified method, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 5,800	¥ 5,754	\$ 53,182
Expected return on plan assets	117	116	1,073
Actuarial losses	(0)	(79)	(0)
Contributions from the employer	332	319	3,044
Benefits paid	(338)	(308)	(3,099)
Others		(2)	
	¥ 5,911	¥ 5,800	\$ 54,200

- (3) Reconciliation between the liability (asset) recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended January 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligation	¥ 5,662	¥ 5,625	\$ 51,916
Plan assets	(5,911)	(5,800)	(54,200)
Total	(249)	(175)	(2,284)
Unfunded defined benefit obligation	28	17	258
Net asset arising from defined benefit obligation	¥ (221)	¥ (158)	\$ (2,026)

  

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for employees' retirement benefits	¥ 98	¥ 72	\$ 899
Asset for employees' retirement benefits	(319)	(230)	(2,925)
Net asset arising from defined benefit obligation	¥ (221)	¥ (158)	\$ (2,026)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥ 350	¥ 368	\$ 3,209
Interest cost	29	29	266
Expected return on plan assets	(117)	(116)	(1,073)
Recognized actuarial (gains) losses	3	34	28
Others	(7)	(6)	(64)
Net periodic benefit costs	¥ 258	¥ 309	\$ 2,366



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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial losses	¥ (0)	¥ (67)	\$ (0)
Total	¥ (0)	¥ (67)	\$ (0)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial losses	¥ (106)	¥ (105)	\$ (972)
Total	¥ (106)	¥ (105)	\$ (972)

(7) Plan assets

*a. Components of plan assets*

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

	2020	2019
Debt investments	6.9%	13.4%
Equity investments	7.4	4.0
General account	73.1	73.4
Others	12.6	9.2
Total	100.0%	100.0%

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

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

(8) Assumptions used in accounting for the plan assets for the years ended January 31, 2020 and 2019, are set forth as follows:

	2020		2019	
Discount rate	Mainly	0.5%	Mainly	0.5%
Expected rate of return on plan assets	Mainly	2.0%	Mainly	2.0%

**Defined contribution plans**

The required contributions to defined contribution plans by the Company for the years ended January 31, 2020 and 2019 were ¥128 million (\$1,174 thousand) and ¥127 million, respectively.

## 9. EQUITY

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

### a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company it does not meet all the above criteria.

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

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

### b. *Increases/decreases and transfer of common stock, reserve and surplus*

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

### c. *Treasury stock and treasury stock acquisition rights*

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

## 10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.4% and 30.7% for the years ended January 31, 2020 and 2019, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Deferred tax assets:			
Tax loss carry forwards	¥ 1,985	¥ 2,926	\$ 18,201
Loss on impairment of long-lived assets	1,299	1,129	11,911
Unrealized profits included in inventories and fixed assets	176	177	1,614
Provision for loss on business liquidation		14	
Liability for employee's retirement benefits	31	4	284
Other	<u>385</u>	<u>290</u>	<u>3,530</u>
Less valuation allowance for tax loss carry forwards	(1,797)		(16,477)
Less valuation allowance for temporary differences	(1,531)		(14,038)
Less valuation allowance	<u>(3,328)</u>	<u>(3,888)</u>	<u>(30,515)</u>
Total	<u>548</u>	<u>652</u>	<u>5,025</u>
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	(94)	(117)	(862)
Other	<u>(158)</u>	<u>(106)</u>	<u>(1,449)</u>
Total	<u>(252)</u>	<u>(223)</u>	<u>(2,311)</u>
Net deferred tax assets	<u>¥ 296</u>	<u>¥ 429</u>	<u>\$ 2,714</u>

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

	Millions of Yen						
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
January 31, 2020							
Deferred tax assets relating to tax loss carryforwards	¥362	¥185	¥68	¥90	¥42	¥1,238	¥1,985
Less valuation allowances for tax loss carryforwards	(251)	(151)	(68)	(47)	(42)	(1,238)	(1,797)
Net deferred tax assets relating to tax loss carryforwards	111	34		43			188

January 31, 2020	Thousands of U.S. Dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	\$3,319	\$1,696	\$624	\$825	\$385	\$11,352	\$18,201
Less valuation allowances for tax loss carryforwards	(2,300)	(1,385)	(624)	(431)	(385)	(11,352)	(16,477)
Net deferred tax assets relating to tax loss carryforwards	1,019	311		394			1,724

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended January 31, 2020 and 2019, was as follows (the reconciliation for the year ended January 31, 2020, was not presented because of net loss for the period):

	<u>2020</u>	<u>2019</u>
Normal effective statutory tax rate	%	30.7%
Permanent nondeductible expenses, such as entertainment expenses		0.5
Permanent nontaxable income, such as dividend income		(0.9)
Change in valuation allowance		27.3
Lower income tax rates applicable in certain foreign countries		6.0
Foreign corporation tax		4.0
Effect of tax deduction		(1.4)
Other—net		(2.9)
Actual effective tax rate	<u>        </u> %	<u>        </u> 63.3%

## 11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended January 31, 2020 and 2019, were ¥309 million (\$2,833 thousand) and ¥354 million, respectively.

## 12. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of January 31, 2020. As a result, the Group recognized impairment losses totaling ¥700 million (\$6,418 thousand) for the IC leadframes (Stamped Leadframe division) in Mitsui High-tec Co., Ltd. and Mitsui High-tec (Taiwan) Co., Ltd. due to continuous operating losses at these units, the carrying amounts of property, plant and equipment were written down to the recoverable amounts.

The Group has also recorded impairment losses totaling ¥145 million for the IC leadframes (Stamped Leadframe division) in Mitsui High-tec (Tianjin) Co., Ltd. for the year ended January 31, 2019.

The recoverable amounts of business assets were measured at their values in use and the discount rates used for the computation of the present values of future cash flows were 6.4% for the years ended January 31, 2020 and 2019.

### 13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### (1) Group policy for financial instruments

The Group finances its operations mainly by bank loans, based on its capital investment plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

#### (2) Nature and extent of risks arising from financial instruments and risk management for financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of customers to identify the default risk of customers.

Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position is hedged by using forward foreign currency contracts.

Investment securities, mainly equity securities of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Payment terms of payables, such as trade accounts, are approximately less than one month.

Derivatives include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables. Please see Note 14 for more details about derivatives.

#### (3) Fair values of financial instruments.

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

##### (a) Fair value of financial instruments

January 31, 2020	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 19,112	¥ 19,112	
Short-term investments	382	382	
Notes and accounts receivable—trade	14,517	14,517	
Investment securities	1,021	1,021	
Total	<u>¥ 35,032</u>	<u>¥ 35,032</u>	
Accounts payable—trade	¥ 5,806	¥ 5,806	
Income taxes payable	358	358	
Long—term debt (including current portion)	<u>33,230</u>	<u>33,373</u>	¥ 143
Total	<u>¥ 39,394</u>	<u>¥ 39,537</u>	<u>¥ 143</u>

January 31, 2019	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 19,373	¥ 19,373	
Short-term investments	370	370	
Notes and accounts receivable—trade	12,821	12,821	
Investment securities	799	799	
Total	<u>¥ 33,363</u>	<u>¥ 33,363</u>	
Accounts payable—trade	¥ 5,088	¥ 5,088	
Income taxes payable	256	256	
Long-term debt (including current portion)	27,910	28,008	¥ 98
Total	<u>¥ 33,254</u>	<u>¥ 33,352</u>	<u>¥ 98</u>

January 31, 2020	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	\$ 175,243	\$ 175,243	
Short-term investments	3,503	3,503	
Notes and accounts receivable—trade	133,110	133,110	
Investment securities	9,362	9,362	
Total	<u>\$ 321,218</u>	<u>\$ 321,218</u>	
Accounts payable—trade	\$ 53,237	\$ 53,237	
Income taxes payable	3,283	3,283	
Long-term debt (including current portion)	304,695	306,006	\$ 1,311
Total	<u>\$ 361,215</u>	<u>\$ 362,526</u>	<u>\$ 1,311</u>

*Cash, cash equivalents and short-term investments*

The carrying values of cash, cash equivalents and short-term investments approximate fair value because of their short maturities.

*Investment securities*

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 5.

*Notes and accounts receivable—trade, accounts payables—trade and income taxes payable*

The carrying values of notes and accounts receivable—trade, accounts payable—trade and income taxes payable approximate fair value because of their short maturities.

Among accounts receivable—trade, the receivables with foreign exchange forward contracts that meet certain criteria are combined with foreign exchange forward contracts to determine the fair value. For other receivables, the carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

*Long-term debt*

Long-term debt—the fair values of long-term debt at fixed interest rates are determined by discounting the cash flows related to the debt at the Company's assumed borrowing rate.

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

	Millions of Yen		Thousands of
	2020	2019	U.S. Dollars
			2020
Investments in equity securities that do not have a quoted market price in an active market	¥ 39	¥ 39	\$ 357

(4) Maturity analysis for financial assets with contractual maturities

January 31, 2020	Millions of Yen	
	Due in one year or less	Due after one year
Cash and cash equivalents	¥ 19,112	
Short-term investments	382	
Notes and accounts receivable—trade	14,517	
Total	¥ 34,011	

January 31, 2019	Millions of Yen	
	Due in one year or less	Due after one year
Cash and cash equivalents	¥ 19,373	
Short-term investments	370	
Notes and accounts receivable—trade	12,821	
Total	¥ 32,564	

January 31, 2020	Thousands of U.S. Dollars	
	Due in one year or less	Due after one year
Cash and cash equivalents	\$ 175,243	
Short-term investments	3,503	
Notes and accounts receivable—trade	133,110	
Total	\$ 311,856	

Please see Note 7 for annual maturities of long-term debt.

## 14. DERIVATIVES

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. Subsidiaries do not enter into derivative transactions.

The Company utilizes these instruments only to hedge foreign currency exposures incorporated within its business and does not enter into derivatives for trading or speculative purposes.

Because the counterparties to those derivatives are limited to major international or domestic financial institutions, the Company does not anticipate any losses arising from credit risk.

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

### ***Derivative transactions to which hedge accounting is applied***

At January 31, 2020	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.\$	Receivables	¥ 3,316		

At January 31, 2019	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.\$	Receivables	¥ 3,003		

At January 31, 2020	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.\$	Receivables	\$ 30,405		

The fair values of derivative transactions are included in the fair values of accounts receivable — trade as the hedged item.



## 15. OTHER COMPREHENSIVE LOSS

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ (78)	¥ (215)	\$ (715)
Reclassification adjustments to profit or loss			
Amount before income tax effect	<u>(78)</u>	<u>(215)</u>	<u>(715)</u>
Income tax effect	24	65	220
Total	<u>¥ (54)</u>	<u>¥ (150)</u>	<u>\$ (495)</u>
Foreign currency translation adjustments:			
Adjustments arising during the year	<u>¥ (192)</u>	<u>¥ (682)</u>	<u>\$ (1,760)</u>
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (3)	¥ (101)	\$ (28)
Reclassification adjustments to profit or loss	<u>3</u>	<u>34</u>	<u>28</u>
Amount before income tax effect		(67)	
Income tax effect	<u>(3)</u>	<u>20</u>	<u>(28)</u>
Total	<u>¥ (3)</u>	<u>¥ (47)</u>	<u>\$ (28)</u>
Total other comprehensive loss	<u>¥ (249)</u>	<u>¥ (879)</u>	<u>\$ (2,283)</u>

## 16. SEGMENT INFORMATION

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

### 1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of Tooling, Electronic Parts, Electrical Parts and Machinery.

"Tooling" consists of stamping for motor cores and IC leadframes, and other precision tooling and parts.

"Electronic Parts" consists of IC leadframes.

"Electrical Parts" consists of motor cores.

"Machinery" consists of surface grinders and jig grinders.

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets and other items is as follows:

		Millions of Yen						
		2020						
		Reportable segment					Reconciliations	Consolidated
		Tooling	Electronic Parts	Electrical Parts	Machinery	Total		
Sales:								
Sales to external customers		¥ 4,755	¥ 36,463	¥ 44,378	¥ 1,374	¥ 86,970		¥ 86,970
Intersegment sales or transfers		4,207	1		299	4,507	¥ (4,507)	
Total		¥ 8,962	¥ 36,464	¥ 44,378	¥ 1,673	¥ 91,477	¥ (4,507)	¥ 86,970
Segment profit (loss)		¥ 1,086	¥ (1,392)	¥ 2,904	¥ 85	¥ 2,683	¥ (2,664)	¥ 19
Segment assets		6,560	27,907	37,960	629	73,056	16,452	89,508
Other:								
Depreciation		585	3,015	3,350	54	7,004	152	7,156
Increase in property, plant and equipment and intangible assets		768	2,505	7,028	54	10,355	155	10,510
Impairment losses of assets			700			700		700
		Millions of Yen						
		2019						
		Reportable segment					Reconciliations	Consolidated
		Tooling	Electronic Parts	Electrical Parts	Machinery	Total		
Sales:								
Sales to external customers		¥ 4,012	¥ 41,504	¥ 34,725	¥ 1,745	¥ 81,986		¥ 81,986
Intersegment sales or transfers		3,922	1		259	4,182	¥ (4,182)	
Total		¥ 7,934	¥ 41,505	¥ 34,725	¥ 2,004	¥ 86,168	¥ (4,182)	¥ 81,986
Segment profit (loss)		¥ 1,117	¥ (857)	¥ 2,812	¥ 235	¥ 3,307	¥ (2,807)	¥ 500
Segment assets		6,432	30,081	30,089	778	67,380	17,621	85,001
Other:								
Depreciation		495	3,453	1,995	54	5,997	160	6,157
Increase in property, plant and equipment and intangible assets		744	3,777	10,326	77	14,924	193	15,117
Impairment losses of assets			145			145		145

## Thousands of U.S. Dollars

	2020						
	Reportable segment					Reconciliations	Consolidated
	Tooling	Electronic Parts	Electrical Parts	Machinery	Total		
Sales:							
Sales to external customers	\$ 43,600	\$ 334,338	\$ 406,914	\$ 12,599	\$ 797,451		\$ 797,451
Intersegment sales or transfers	38,575	10		2,741	41,326	\$ (41,326)	
Total	<u>\$ 82,175</u>	<u>\$ 334,348</u>	<u>\$ 406,914</u>	<u>\$ 15,340</u>	<u>\$ 838,777</u>	<u>\$ (41,326)</u>	<u>\$ 797,451</u>
Segment profit (loss)	<u>\$ 9,958</u>	<u>\$ (12,764)</u>	<u>\$ 26,628</u>	<u>\$ 779</u>	<u>\$ 24,601</u>	<u>\$ (24,427)</u>	<u>\$ 174</u>
Segment assets	60,150	255,888	348,065	5,767	669,870	150,853	820,723
Other:							
Depreciation	5,364	27,646	30,717	495	64,222	1,393	65,615
Increase in property, plant and equipment and intangible assets	7,042	22,969	64,442	495	94,948	1,421	96,369
Impairment losses of assets		6,418			6,418		6,418

Notes: 1. The amounts of "Reconciliations" for the year ended January 31, 2020, are as follows:

- (1) The amount of "Reconciliations" for segment profit is ¥2,664 million (\$24,427 thousand). This amount mainly includes general and administrative expenses, which is not allocable to the reportable segments.
- (2) The amount of "Reconciliations" for segment assets is ¥16,452 million (\$150,853 thousand), this amount is corporate assets which are not allocable to the reportable segments.
- (3) The amount of "Reconciliations" for depreciation of ¥152 million (\$1,393 thousand) consists of depreciation of corporate assets.
- (4) The "Reconciliations" of increase in property, plant and equipment and intangible assets of ¥155 million (\$1,421 thousand) is an increase of corporate assets. Segment profit in reportable segments corresponds to operating income.

2. The amounts of "Reconciliations" for the year ended January 31, 2019, are as follows:

- (1) The amount of "Reconciliations" for segment profit is ¥2,807 million. This amount mainly includes general and administrative expenses, which is not allocable to the reportable segments.
- (2) The amount of "Reconciliations" for segment assets is ¥17,621 million, this amount is corporate assets which are not allocable to the reportable segments.
- (3) The amount of "Reconciliations" for depreciation of ¥160 million consists of depreciation of corporate assets.
- (4) The "Reconciliations" of increase in property, plant and equipment and intangible assets of ¥193 million is an increase of corporate assets. Segment profit in reportable segments corresponds to operating income.

4. Related information

1. Information about geographical areas

(1) Sales

Millions of Yen			
2020			
Japan	China	Other	Total
¥ 46,012	¥ 16,093	¥ 24,865	¥ 86,970

Millions of Yen			
2019			
Japan	China	Other	Total
¥ 38,202	¥ 16,410	¥ 27,374	¥ 81,986

Thousands of U.S. Dollars			
2020			
Japan	China	Other	Total
\$ 421,896	\$ 147,561	\$ 227,994	\$ 797,451

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

(2) Property, plant and equipment

Millions of Yen				
2020				
Japan	China	North America	Other	Total
¥ 30,199	¥ 5,393	¥ 2,977	¥ 4,841	¥ 43,410

Millions of Yen				
2019				
Japan	China	North America	Other	Total
¥ 30,050	¥ 3,922	¥ 3,222	¥ 3,228	¥ 40,422

Thousands of U.S. Dollars				
2020				
Japan	China	North America	Other	Total
\$ 276,903	\$ 49,450	\$ 27,297	\$ 44,388	\$ 398,038

2. Information about major customers

Millions of Yen		
2020		
Name of customer	Sales	Related segment name
TOYOTA MOTOR CORPORATION	¥ 22,155	Electrical Parts

  

Millions of Yen		
2019		
Name of customer	Sales	Related segment name
TOYOTA MOTOR CORPORATION	¥ 15,975	Electrical Parts

  

Thousands of U.S. Dollars		
2020		
Name of customer	Sales	Related segment name
TOYOTA MOTOR CORPORATION	\$ 203,145	Electrical Parts

17. **SUBSEQUENT EVENTS**

Appropriation of Retained Earnings

At the general shareholders meeting held on April 17, 2020, the Company's shareholders approved the following appropriation of retained earnings as of January 31, 2020:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.0 (\$0.04) per share	¥ 146	\$ 1,339

\* \* \* \* \*