

CONSOLIDATED FINANCIAL STATEMENTS
FURUKAWA ELECTRIC CO., LTD. AND
SUBSIDIARIES
March 31, 2020 and 2019

CONSOLIDATED BALANCE SHEETS
FURUKAWA ELECTRIC CO., LTD. AND
SUBSIDIARIES
At March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
ASSETS			
Current assets:			
Cash and bank deposits (Note 4)	¥ 54,357	¥ 44,628	\$ 503,306
Marketable securities (Note 5)	899	2,371	8,324
Notes and accounts receivable	192,513	219,347	1,782,528
Inventories (Note 6)	115,862	122,890	1,072,796
Other current assets	23,801	32,365	220,380
Allowance for doubtful accounts	(1,254)	(1,090)	(11,611)
Total current assets	<u>386,179</u>	<u>420,513</u>	<u>3,575,731</u>
Property, plant and equipment			
Land	36,354	36,777	336,611
Buildings	229,611	216,932	2,126,028
Machinery and equipment	550,564	539,225	5,097,815
Leased assets	1,261	3,444	11,676
Right-of-use assets	10,934	-	101,241
Construction in progress	34,529	36,444	319,713
Total	<u>863,256</u>	<u>832,823</u>	<u>7,993,111</u>
Accumulated depreciation	(609,037)	(603,463)	(5,639,231)
Net property, plant and equipment	<u>254,219</u>	<u>229,360</u>	<u>2,353,880</u>
Investments and other assets:			
Investments and long-term loans (Notes 5 and 7)	109,310	127,141	1,012,130
Deferred tax assets (Note 15)	14,726	13,644	136,352
Asset for retirement benefits (Notes 2g and 9)	5,899	5,633	54,620
Other non-current assets	25,346	22,898	234,685
Allowance for doubtful accounts	(1,065)	(1,172)	(9,861)
Total investments and other assets	<u>154,217</u>	<u>168,148</u>	<u>1,427,935</u>
Total	<u>¥ 794,616</u>	<u>¥ 818,021</u>	<u>\$ 7,357,556</u>

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt (Note 8)	¥ 110,515	¥ 106,710	\$ 1,023,287
Commercial paper (Note 8)	15,000	-	138,889
Notes and accounts payable	111,586	131,422	1,033,204
Accrued income taxes	2,785	3,893	25,787
Provision for product defect compensation (Note 2h)	17,711	28,400	163,991
Other current liabilities	62,048	61,193	574,519
Total current liabilities	<u>319,647</u>	<u>331,621</u>	<u>2,959,694</u>
Long-term liabilities :			
Bonds (Note 8)	30,000	20,000	277,778
Long-term debt (Note 8)	95,573	119,298	884,935
Liability for retirement benefits (Notes 2g and 9)	53,460	47,731	495,000
Provision for environmental costs (Note 2i)	10,396	10,691	96,259
Asset retirement obligations	1,304	1,246	12,074
Deferred tax liabilities (Note 15)	391	1,547	3,620
Other long-term liabilities	10,811	5,972	100,102
Total long-term liabilities	<u>201,937</u>	<u>206,488</u>	<u>1,869,787</u>
Contingent liabilities (Note 11)			
Net assets			
Shareholders' equity (Note 10)			
Common stock			
Authorized shares, 250,000 thousand in 2020 and 2019			
Issued shares, 70,666 thousand in 2020 and 2019	69,395	69,395	642,546
Capital surplus	22,787	22,535	210,991
Retained earnings	165,101	151,744	1,528,713
Common treasury stock, at cost			
49,400 in 2020			
48,900 in 2019	(598)	(600)	(5,537)
Total shareholders' equity	<u>256,685</u>	<u>243,074</u>	<u>2,376,713</u>
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities (Note 5)			
	10,950	21,788	101,389
Deferred gain (loss) on derivatives under hedge accounting (Note 2c)			
	(1,691)	124	(15,657)
Adjustments for retirement benefits			
	(12,810)	(8,391)	(118,611)
Foreign currency translation adjustments			
	(12,853)	(8,937)	(119,009)
Total accumulated other comprehensive income	<u>(16,405)</u>	<u>4,584</u>	<u>(151,898)</u>
Non-controlling interests	<u>32,750</u>	<u>32,252</u>	<u>303,241</u>
Total net assets	<u>273,030</u>	<u>279,911</u>	<u>2,528,056</u>
Total	<u>¥ 794,616</u>	<u>¥ 818,021</u>	<u>\$ 7,357,556</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
FURUKAWA ELECTRIC CO., LTD. AND
SUBSIDIARIES

For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Net sales	¥ 914,439	¥ 991,590	\$ 8,467,028
Cost of sales (Notes 6 and 12)	764,200	824,481	7,075,926
Gross profit	150,239	167,108	1,391,102
Selling, general and administrative expenses (Note 12)	126,674	126,266	1,172,907
Operating income	23,565	40,842	218,194
Other income (expenses):			
Interest and dividend income	2,652	3,373	24,556
Interest expense	(4,326)	(4,075)	(40,056)
Foreign exchange loss, net	(1,014)	(1,100)	(9,389)
Equity in income of non-consolidated subsidiaries and affiliates	2,458	1,685	22,759
Gain on sales of investment securities	7,494	4,952	69,389
Gain on disposal of property, plant and equipment	5,848	3,779	54,148
Loss on disposal of property, plant and equipment	(798)	(2,779)	(7,389)
Impairment loss on investment securities	(1,102)	(168)	(10,204)
Restructuring costs	(931)	(34)	(8,620)
Loss on disaster	(958)	-	(8,870)
Other, net	(2,136)	(10,718)	(19,778)
Profit before income taxes	30,751	35,757	284,731
Income taxes (Note 15) :			
Current	7,793	8,811	72,157
Deferred	3,960	(5,500)	36,667
Total income taxes	11,754	3,310	108,833
Profit	18,997	32,446	175,898
attributable to non-controlling interests	1,357	3,338	12,565
attributable to owners of parent	¥ 17,639	¥ 29,108	\$ 163,324
	Yen		U.S. dollars
Per share of common stock(Notes 2p and 17)			
Basic profit	¥ 250.25	¥ 412.98	\$ 2.32
Diluted profit	¥ -	¥ -	\$ -
Cash dividends applicable to the year	¥ 85.00	¥ 85.00	\$ 0.79

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FURUKAWA ELECTRIC CO., LTD. AND
 SUBSIDIARIES

For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Profit	¥ 18,997	¥ 32,446	\$ 175,898
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	(10,119)	(8,055)	(93,694)
Deferred gain (loss) on derivatives under hedge accounting	(1,604)	733	(14,852)
Adjustments for retirement benefits (Notes 2g and 9)	(3,942)	(1,787)	(36,500)
Foreign currency translation adjustments	(3,905)	(2,792)	(36,157)
Share of other comprehensive income of affiliates accounted for by the equity method	(1,485)	(1,408)	(13,750)
Total other comprehensive income (Note 16)	(21,058)	(13,309)	(194,981)
Total comprehensive income	¥ (2,060)	¥ 19,137	\$ (19,074)
Attributable to :			
Owners of parent	¥ (3,272)	¥ 16,194	\$ (30,296)
Non-controlling interests	¥ 1,211	¥ 2,943	\$ 11,213

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FURUKAWA ELECTRIC CO., LTD. AND
SUBSIDIARIES

(For the year ended March 31, 2020)

	Thousands	Millions of yen				
	Number of shares of Common stock outstanding	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2019	70,486	¥ 69,395	¥ 22,535	¥ 151,744	¥ (600)	¥ 243,074
Cash dividends paid		-	-	(6,002)	-	(6,002)
Profit attributable to owners of parent		-	-	17,639	-	17,639
Net effect of increase in consolidated subsidiaries		-	128	1,031	-	1,160
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method		-	-	688	-	688
Acquisition of treasury stock	(0)	-	-	-	(2)	(2)
Disposal of treasury stock	1	-	-	-	4	4
Net effect of change in parent's equity due to transaction with non-controlling interests		-	123	-	-	123
Net change in items other than those in shareholders' equity		-	-	-	-	-
Net change during the year	1	-	252	13,356	1	13,611
Balance at March 31, 2020	70,487	¥ 69,395	¥ 22,787	¥ 165,101	¥ (598)	¥ 256,685

	Millions of yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for- sale securities	Deferred gain (loss) on derivatives under hedge accounting	Adjustment for retirement benefits (Note 9)	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at March 31, 2019	¥ 21,788	¥ 124	¥ (8,391)	¥ (8,937)	¥ 4,584	¥ 32,252	¥ 279,911
Cash dividends paid	-	-	-	-	-	-	(6,002)
Profit attributable to owners of parent	-	-	-	-	-	-	17,639
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	1,160
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	688
Acquisition of treasury stock	-	-	-	-	-	-	(2)
Disposal of treasury stock	-	-	-	-	-	-	4
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	123
Net change in items other than those in shareholders' equity	(10,838)	(1,816)	(4,419)	(3,915)	(20,989)	497	(20,492)
Net change during the year	(10,838)	(1,816)	(4,419)	(3,915)	(20,989)	497	(6,880)
Balance at March 31, 2020	¥ 10,950	¥ (1,691)	¥ (12,810)	¥ (12,853)	¥ (16,405)	¥ 32,750	¥ 273,030

	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2019	\$ 642,546	\$ 208,657	\$ 1,405,037	\$ (5,556)	\$ 2,250,685
Cash dividends paid	-	-	(55,574)	-	(55,574)
Profit attributable to owners of parent	-	-	163,324	-	163,324
Net effect of increase in consolidated subsidiaries	-	1,185	9,546	-	10,741
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	6,370	-	6,370
Acquisition of treasury stock	-	-	-	(19)	(19)
Disposal of treasury stock	-	-	-	37	37
Net effect of change in parent's equity due to transaction with non-controlling interests	-	1,139	-	-	1,139
Net change in items other than those in shareholders' equity	-	-	-	-	-
Net change during the year	-	2,333	123,667	9	126,028
Balance at March 31, 2020	\$ 642,546	\$ 210,991	\$ 1,528,713	\$ (5,537)	\$ 2,376,713

	Thousands of U.S. dollars (Note 3)						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for- sale securities	Deferred gain (loss) on derivatives under hedge accounting	Adjustment for retirement benefits (Note 9)	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at March 31, 2019	\$ 201,741	\$ 1,148	\$ (77,694)	\$ (82,750)	\$ 42,444	\$ 298,630	\$ 2,591,769
Cash dividends paid	-	-	-	-	-	-	(55,574)
Profit attributable to owners of parent	-	-	-	-	-	-	163,324
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	10,741
Net effect of increase in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	6,370
Acquisition of treasury stock	-	-	-	-	-	-	(19)
Disposal of treasury stock	-	-	-	-	-	-	37
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	1,139
Net change in items other than those in shareholders' equity	(100,352)	(16,815)	(40,917)	(36,250)	(194,343)	4,602	(189,741)
Net change during the year	(100,352)	(16,815)	(40,917)	(36,250)	(194,343)	4,602	(63,704)
Balance at March 31, 2020	\$ 101,389	\$ (15,657)	\$ (118,611)	\$ (119,009)	\$ (151,898)	\$ 303,241	\$ 2,528,056

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FURUKAWA ELECTRIC CO., LTD. AND
SUBSIDIARIES

(For the year ended March 31, 2019)

	Thousands	Millions of yen				
	Number of shares of Common stock outstanding	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2018	70,481	¥ 69,395	¥ 22,271	¥ 128,130	¥ (613)	¥ 219,182
Cash dividends paid		-	-	(5,649)	-	(5,649)
Profit attributable to owners of parent		-	-	29,108	-	29,108
Net effect of increase in consolidated subsidiaries		-	-	198	-	198
Net effect of decrease in an affiliated company accounted for by the equity method due to change in scope of equity method		-	-	(43)	-	(43)
Acquisition of treasury stock	(0)	-	-	-	(1)	(1)
Disposal of treasury stock	5	-	-	-	15	15
Net effect of change in parent's equity due to transaction with non-controlling interests		-	264	-	-	264
Net change in items other than those in shareholders' equity		-	-	-	-	-
Net change during the year	5	-	264	23,613	13	23,891
Balance at March 31, 2019	<u>70,486</u>	<u>¥ 69,395</u>	<u>¥ 22,535</u>	<u>¥ 151,744</u>	<u>¥ (600)</u>	<u>¥ 243,074</u>

	Millions of yen						
	Accumulated other comprehensive income						
	Unrealized gain on available-for- sale securities	Deferred gain (loss) on derivatives under hedge accounting	Adjustment for retirement benefits (Note 9)	Foreign currency translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2018	¥ 30,020	¥ (495)	¥ (6,525)	¥ (5,664)	¥ 17,335	¥ 35,552	¥ 272,071
Cash dividends paid	-	-	-	-	-	-	(5,649)
Profit attributable to owners of parent	-	-	-	-	-	-	29,108
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	198
Net effect of decrease in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	(43)
Acquisition of treasury stock	-	-	-	-	-	-	(1)
Disposal of treasury stock	-	-	-	-	-	-	15
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	264
Net change in items other than those in shareholders' equity	(8,232)	620	(1,866)	(3,273)	(12,750)	(3,300)	(16,050)
Net change during the year	(8,232)	620	(1,866)	(3,273)	(12,750)	(3,300)	7,840
Balance at March 31, 2019	<u>¥ 21,788</u>	<u>¥ 124</u>	<u>¥ (8,391)</u>	<u>¥ (8,937)</u>	<u>¥ 4,584</u>	<u>¥ 32,252</u>	<u>¥ 279,911</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FURUKAWA ELECTRIC CO., LTD. AND
SUBSIDIARIES

For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 30,751	¥ 35,757	\$ 284,731
Adjustments for:			
Depreciation	29,423	26,271	272,435
Equity in income of non-consolidated subsidiaries and affiliates	(2,458)	(1,685)	(22,759)
Gain on sales of marketable securities and investment securities, net	(7,462)	(4,954)	(69,093)
Impairment loss on investment securities	1,102	168	10,204
Gain on disposal of property, plant and equipment, net	(5,050)	(1,000)	(46,759)
Impairment loss	623	2,627	5,769
Loss on disaster	958	-	8,870
Loss on write-down of inventories	388	1,366	3,593
Interest and dividend income	(2,652)	(3,373)	(24,556)
Interest expense	4,326	4,075	40,056
Foreign exchange gain, net	(591)	(111)	(5,472)
Decrease in trade receivable	23,499	1,196	217,583
Decrease (increase) in inventories	4,071	(11,479)	37,694
(Decrease) increase in trade payable	(17,252)	6,009	(159,741)
Increase in liability for retirement benefits	387	2,165	3,583
(Decrease) increase in provision for product defect compensation	(10,667)	5,785	(98,769)
Other, net	1,873	(7,549)	17,343
Subtotal	51,273	55,271	474,750
Interest and dividend income received	4,682	4,732	43,352
Interest expense paid	(4,344)	(4,152)	(40,222)
Income taxes paid	(8,952)	(9,390)	(82,889)
Loss on disaster paid	(717)	-	(6,639)
Net cash provided by operating activities	41,942	46,460	388,352
Cash flows from investing activities:			
Decrease in time deposits, net	39	767	361
Purchases of investment securities	(1,543)	(2,924)	(14,287)
Proceeds from sales and redemption of investment securities	10,916	9,051	101,074
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	-	1,829	-
Purchases of property, plant and equipment	(47,312)	(43,053)	(438,074)
Purchases of intangible assets	(6,550)	(3,997)	(60,648)
Proceeds from sales of non-current assets	6,789	5,515	62,861
Decrease in short-term loans, net	4,950	2,182	45,833
Other	(408)	(412)	(3,778)
Net cash used in investing activities	(33,119)	(31,042)	(306,657)

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Cash flows from financing activities:			
Increase in short-term debt, net	1,735	4,140	16,065
Increase in commercial paper, net	15,000	-	138,889
Proceeds from long-term debt	8,935	26,186	82,731
Repayments of long-term debt	(27,390)	(31,421)	(253,611)
Proceeds from issue of bonds	10,000	-	92,593
Repayments of redemption of bonds	-	(10,000)	-
Proceeds from non-controlling shareholders	728	-	6,741
Payments for purchase of common treasury stock	(1)	(1)	(9)
Payments for purchase of common treasury stock by subsidiaries	(151)	(8)	(1,398)
Cash dividends paid	(5,998)	(5,647)	(55,537)
Cash dividends paid to non-controlling shareholders	(1,379)	(2,291)	(12,769)
Other	(1,649)	(372)	(15,269)
Net cash used in financing activities	(171)	(19,414)	(1,583)
Effect of exchange rate changes on cash and cash equivalents	(928)	853	(8,593)
Net increase (decrease) in cash and cash equivalents	7,722	(3,142)	71,500
Cash and cash equivalents at beginning of year	46,838	49,758	433,685
Cash and cash equivalents of newly consolidated subsidiaries	494	223	4,574
Cash and cash equivalents at end of year (Note 4)	¥ 55,055	¥ 46,838	\$ 509,769

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FURUKAWA ELECTRIC CO., LTD. AND ITS SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

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

Japanese yen figures less than a thousand yen are rounded down to the nearest thousand yen, except where otherwise indicated.

2. Significant Accounting Policies

a) Basis of consolidation

(1) The consolidated financial statements as of March 31, 2020, include the accounts of the Company and its 112 (109 in 2019) significant subsidiaries (together, the "Group").

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

Investments in 13 (12 in 2019) unconsolidated subsidiaries and associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

(2) Fiscal year-end of the consolidated subsidiaries

There are 50 subsidiaries' fiscal year-ends differ from that of the Company due to local statutory requirements. Those 50 subsidiaries' fiscal year-end is December 31 and the Company makes necessary adjustments if there are any significant transactions. There have been no significant transactions, which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from their closing date to March 31.

(3) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) 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.

(4) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

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

b) Cash and cash equivalents

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

c) Financial instruments

(1) Debt and equity securities

Debt securities for which the Company and its consolidated subsidiaries have both the positive intent and ability to hold to maturity are classified as “held-to-maturity debt securities” and mainly carried at amortized cost. Securities other than held-to-maturity debt securities and investments in equity securities of non-consolidated subsidiaries and affiliates are classified as “available-for-sale securities” and carried at fair value with unrealized gain and loss, net of tax, reported as a separate component of net assets. For computing gain and loss on securities sold, the cost of these securities is determined using the moving average method. Securities that do not have readily determinable fair values are recorded at cost. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income. The Company and its consolidated subsidiaries do not hold any trading securities.

Debt securities due within one year are presented as “Marketable securities” under current assets, and all other securities are presented as “Investments and long-term loans” in the accompanying balance sheets.

Additional information with respect to marketable debt and equity securities is included in Note 5.

(2) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest rates and prices. Foreign exchange forward contracts, currency swap, interest rate swaps and forward contracts for metal materials are utilized by the Group to reduce foreign currency exchange and interest rate risks and price fluctuation risk of raw materials. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and purchases are measured at fair value and the unrealized gains/losses are recognized in income.

Forward contracts applied for forecasted (or committed) transactions used are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Trade receivable and trade payable denominated in foreign currencies for which foreign

exchange forward contracts are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting.

Long-term debt denominated in foreign currencies for which currency swap are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting. Also, those long-term debt with interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

Additional information on derivatives is presented in Note 18.

d) Inventories

Inventories are stated principally at cost determined using the average method, which requires the amount of the inventories on the balance sheets be written down when there is a decrease in profitability.

e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount of estimated non-recoverable receivables on an individual account basis, plus the amount calculated by applying the historical bad debt loss ratios to the remaining receivables.

f) Property, plant and equipment

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost. Repairs and maintenance expense are charged to income as incurred. Properties except for leased assets are depreciated principally using the straight-line method.

g) Retirement benefits

Employees who terminate their service with the Company or its domestic consolidated subsidiaries are entitled to lump-sum severance indemnities determined based on accumulated points allocated to employees each year according to their job classification and performance. The liability for these severance indemnities is not funded.

The retirement benefit plans of the Company and its domestic consolidated subsidiaries have features whereby employees who retire at age 55 or over with 20 or more years of service may elect to receive benefits in the form of pensions. These plans, which are non-contributory and funded, generally provide for an annuity payable over a ten-year period subsequent to retirement. The annual contributions for pension benefits include current service costs, amortization of prior service costs and interest on the unfunded portion of past service costs.

The Company and its domestic consolidated subsidiaries recognize retirement benefits based on the estimated amounts of projected benefit obligation reduced by the fair value of the pension plan assets at each fiscal year-end.

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

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of

service of the employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 1 year through 10 years), which are shorter than the average remaining years of service of the employees. Unrecognized actuarial gain or loss and unrecognized prior service cost are recorded as adjustments for retirement benefits in accumulated other comprehensive income within net assets after adjusting for tax effects.

A minimum pension liability adjustment is required for the Company's consolidated subsidiaries in the U.S., generally when the accumulated benefit obligation exceeds plan assets under U.S. GAAP. The minimum liability adjustment, less allowable intangible assets, is directly charged to retained earnings, net of tax benefit, in the accompanying consolidated financial statements.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximates the retirement benefit obligation at year-end.

h) Provision for product defect compensation

Provision for product defect compensation is provided at an amount deemed necessary to cover possible compensation costs.

i) Provision for environmental costs

Provision for environmental costs, mainly to remove Poly Chlorinated Biphenyl ("PCB") and to improve soil conservation, is provided to cover estimated future costs.

j) Research and development costs, and computer software

Research and development expenditure is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except when it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 years.

k) Leases

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

Depreciation of finance lease assets that transfer ownership of the assets is calculated by the same method applied for property, plant and equipment.

Depreciation of finance lease assets, that do not transfer ownership of the assets, at the end of the lease term, mainly machinery and equipment, and vehicles, is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

All other leases are accounted for as operating leases.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and lease terms.

l) Construction Contracts

Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

m) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income.

Deferred income taxes are recognized to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and measured using the enacted tax rates and laws, which will be in effect when differences are expected to reverse.

The Company has elected to file its tax return under the consolidated tax filing system.

As for the items subjected to the transition to the group tax sharing system established under the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, domestic consolidated companies excluding a few exceptions have not adopted the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018) in accordance with the treatment under Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

n) Translation of foreign currency accounts

Current and non-current monetary items denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance sheet dates. Monetary items denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation, are translated into Japanese yen at the contracted rates. Exchange gain or loss is credited or charged to current operations.

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries and affiliates accounted for by the equity method at the average rates of exchange in effect during the year. The balance sheet accounts except for the components of net assets excluding non-controlling interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method, are translated into Japanese yen at the rates of exchange in effect at the respective balance sheet date. The components of net assets excluding non-controlling interests in the overseas consolidated subsidiaries and

affiliates accounted for by the equity method are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments and non-controlling interests as a component of net assets.

o) Impairment of property, plant and equipment

Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount, to be measured as the higher of net selling price or value in use.

Accumulated loss of impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

p) Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not presented as the effect of including potential common shares is anti-dilutive.

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 year.

q) Accounting change

Consolidated subsidiaries outside Japan adopting IFRS have adopted IFRS 16 “Leases” from the beginning of the fiscal year under review. In applying IFRS 16, the cumulative effect of applying this standard is recognized at the date of initial application in accordance with the transitional treatment of the standard.

Accordingly, “Right-of-use assets” and lease obligations are recognized in all leases in principle, for lease transactions as lessees. Certain assets included in “Other non-current assets” were reclassified to “Right-of-use assets”.

As a result, the ending balances of “Right-of-use assets”, “Accumulated depreciation”, “Other current liabilities” and “Other long-term liabilities” for the fiscal year ended March 31, 2020 increased by ¥10,934 million (\$101,241 thousand), ¥2,826 million (\$26,167 thousand), ¥1,268 million (\$11,741 thousand) and ¥5,784 million (\$53,556 thousand), respectively. In addition, “Other non-current assets” decreased by ¥759 million (\$7,028 thousand).

The application of IFRS 16 had a immaterial impact on earnings and per-share information for the fiscal year ended March 31, 2020.

In Consolidated Statement of Cash flows, cash flows from operating activities increased by ¥1,502 million (\$13,907 thousand), as cash flows from financing activities decreased by ¥1,502 million (\$13,907 thousand).

r) Standards issued but not yet effective

(1) The Company and its consolidated subsidiaries

(a) Accounting Standard for Revenue Recognition (ASBJ Statement No 29)
Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30)

(i) Overview

The International Accounting Standard Board (“IASB”) and the Financial Accounting Standard Board (“FASB”) jointly developed comprehensive accounting standard for revenue recognition and the Revenue from Contracts with Customers was issued in May 2014, (IFRS No.15 by IASB and Topic 606 by FASB).

IFRS No.15 was applied for annual reporting periods beginning on or after January 1, 2018, Topic 606 was also applied from annual reporting periods beginning December 15, 2017. Based on such a situation, the ASBJ developed the comprehensive accounting standard for revenue recognition/the implementation guidance and issued them together.

On the ASBJ’s basic policy for development of accounting standard for revenue recognition, the basic principles of IFRS No.15 were incorporated into the ASBJ Statement No.29 as a starting points, the Statement was set out, from the view point of comparability among financial statements, which is one of merits for consistency with IFRS No.15. If there are any items which should be considered in current practices in Japan, alternative treatments are added to the extent to not losing the comparability.

(ii) Schedule date of adoption

This standard will be applied from the beginning of the accounting reporting period for the year ending March 31, 2022.

(iii) Impact of adoption of accounting standard and implementation guidance

The effect amount is currently being evaluated in preparing its consolidated financial statements.

(b) Accounting Standard for Disclosures of Accounting Estimates (ASBJ Statement No 31)

(i) Overview

“Sources of estimation uncertainty” (the “Source”) is required to be disclosed under IAS 1 “Presentation of Financial Statements”, paragraph 125, which was issued by IASB in 2003. Comment providers requested ASBJ to include an additional requirement for disclosure of the Source in notes to the financial statements, which are useful for the users of the financial statements prepared under accounting principles generally accepted in Japan.

As a result, ASBJ developed “Accounting Standard for Disclosures of Accounting Estimates” (the “Disclosure Standard”) and published it.

When ASBJ developed this Disclosure Standard, a basic policy was set up, which is that each note to the financial statements should not be described in detail, but only the principle (purpose of disclosure) should be provided. Specific contents of this principle should be determined by reference to the Company’s purpose of the

disclosure. The Disclosure Standard has been developed referring to IAS 1, paragraph 125.

(ii) Schedule date of adoption

This standard will be applied from the year-end date of the accounting reporting period for the year ending March 31, 2021.

(c) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No 24)

(i) Overview

Standards Advisory Council requested ASBJ to improve footnote information related to “accounting principle and procedure developed by management in the absence of an accounting standard that specifically applies to a transaction”. As such, ASBJ made necessary revisions of this standard and published it as “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections”.

In improving such footnote information, Business Accounting Principles Interpretive Note 1-2 has continuously been applied in order not to effect an accounting practice where an accounting standard specifically applied to a transaction is clearly be determined.

(ii) Schedule date of adoption

This standards will be applied from the year-end date of the accounting reporting period for the year ending March 31, 2021.

(2) Overseas consolidated subsidiaries

Leases (US GAAP ASU 2016-02)

(i) Overview

US GAAP generally requires the recognition of right-of-use assets and lease liabilities for all leases on the financial statements.

(ii) Schedule date of adoption

This standard will be applied from the beginning of the accounting reporting period for the year ending March 31, 2023.

(iii) Impact of adoption of accounting standard and implementation guidance

The Company is currently evaluating the impact of the adoption on this standard on its consolidated financial statements.

s) Additional information

(1) Board Benefit Trust

Based upon a resolution of the 194th Ordinary General Meeting of Shareholders on June 27, 2016, the Company has introduced a Performance-Linked Stock Compensation System (Board Benefit Trust, hereafter the “BBT”) to a part of remuneration for the Directors excluding the Outside Directors, and the Executive Officers other than the Directors and the Senior Fellow (collectively the “Directors, etc.”) in order to make stronger linkage to

the Company's business performance and contribute to higher corporate value on a medium - to long-term basis.

(a) Overview

In accordance with the Stock Benefit Regulations for Executives (the "Regulation"), previously set out by the Company, points are granted to the Directors, under the BBT during their term in office and the number of shares equivalent to the accumulated points that are granted at the time of their retirement, are provided after adjusting down points linked to the Company's business performance. If the Directors, who receive the benefits meet the requirements of the Regulation, money in an amount equivalent to a certain portion of those points granted to the Directors, shall be provided to them instead of the Company's shares.

The shares to be provided to the Directors, including the shares to be provided for their future services, have been acquired using monetary assets contributed previously by the Company to the BBT. Those shares are managed separately as an asset in BBT.

(b) Accounting treatment

The Gross method has been applied in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 issued on March 26, 2015).

(c) The Company's shares remaining in the BBT

The Company's shares owned by the BBT are accounted for as treasury stock in the Net assets section at book value recorded by the BBT (excluding acquisition-related costs). The book value and the number of shares on treasury stock are ¥303 million (\$2,806 thousand) and 113,500 shares at March 31, 2020, and ¥307 million and 115,000 shares at March 31, 2019, respectively.

(2) Concerning Company Split (absorption-type split) Accompanying the Transfer of Heavy Magnet Wire Business, and Transfer of Shares of Succeeding Company in Absorption-type Split

The Company hereby resolved, as set forth below, that it has resolved at its meeting of the Board of Directors held on September 26, 2019, to transfer (hereinafter referred to as the "Transfer", and the "Transaction" as it relates to the combination with the transfer by Superior Essex Holding Corp. ("SPSX") business engaged in the development, manufacturing, and sales of the heavy magnet wire business and polyimide tube ("PIT") conducted by the Company and its wholly-owned subsidiary, Furukawa Magnet Wire Co., Ltd. ("FMGW") (collectively, the "Japanese Business", and the business belonging to Company, the "Furukawa Business"), as well as all shares issued by FE Magnet Wire (Malaysia) Sdn. Bhd. ("FEMM"), which is a wholly-owned subsidiary of the Company, and all equity interest (49%) the Company has in Essex Furukawa Magnet Wire Europe GmbH (collectively with the Japanese Business, the "Business"), to a joint venture (newly established company) Essex Furukawa Magnet Wire LLC (the "Joint Venture") established with SPSX via Furukawa Electric Magnet Wire America, Inc., which is a wholly-owned subsidiary of the Company.

In addition, the Company resolved that the newly established wholly-owned Japanese subsidiary (the "New Company") will succeed the Japanese Business through an absorption-type split method (collectively, the "Japanese Business Company Split", and the "Company Split" which results in the split of the Company), and concluded basic

agreement which provides the respective boards of directors of the Company and SPSX have approved and the parties will conclude contribution agreement and joint venture agreement (Collectively, the “Definitive Agreements”) regarding the Transaction on September 27, 2019.

(a) Transaction Purpose

In its mid-term management plan “Furukawa G Plan 2020” formulated in 2016, the Company positioned the infrastructure (communications solutions, energy) and automotive fields and their united areas as priority segments and have worked to strengthen our focus on these businesses and products. In addition, we have been reviewing our overall business portfolio. As a result of the comprehensive consideration of business synergies amongst the Company’s focus businesses / products and the Business, and the further enhancement of the competitiveness of the Business, the Company will make a transfer to a joint venture with SPSX, a wholly-owned subsidiary of Superior Essex Inc., (Atlanta, GA) which the Company has been in a business partnership with for a significant amount of time, since we considered that a transfer to the Joint Venture with SPSX would contribute to the sustainable growth of the Business.

(b) Method of Company Split

An absorption-type Company Split in which the Company and FMGW are the Split Company and the New Company is the Succeeding Company.

(c) Details of allocation related to the Absorption-type Company Split

The New Company will issue one share of common stock upon the Company Split and allot all to the Company.

(d) Rights and Obligations transferred to the Succeeding Company

In accordance with the provisions of the absorption-type Company Split agreement between the Company and the New Company, the New Company will inherit all of the assets, liabilities, contractual statuses and associated rights and obligations relating to the Company's business.

(e) The result of operation and the financial position of Furukawa Business to be split (For the year ended March 31, 2020)

Net sales	¥27,159 million (\$251,472 thousand)
Assets	¥ 5,742 million (\$ 53,167 thousand)
Liabilities	¥ 4,544 million (\$ 42,074 thousand)

Note: In addition to this company split, FMGW will contribute its business of development, manufacturing, and sales of the heavy magnet wire business and PIT to the New Company by absorption-type corporate split.

(f) Outline of Company Split

	Split Company (Company)	Succeeding Company (New Company)
Company Name	Furukawa Electric Co., Ltd.	EFMJ Co., Ltd.
Location	2-3, Marunouchi 2- chome, Chiyoda-ku, Tokyo, Japan	16-8, Uchikanda 2- chome, Chiyoda-ku, Tokyo , Japan

Name and title of Representative	Keiichi Kobayashi, President	Mikinori Maekawa, President
Business Description	Development, manufacturing and sales of optical fiber cables, power cables, automotive wire harnesses	Development, manufacturing, and sales of heavy magnet wires and PIT
Capital stock	¥69,395 million (\$642,546 thousand)	¥1 (\$0.01)
Date of establishment	June 25, 1896	September 24, 2019

(g) Situation after Company Split

The Company Split does not affect the Company's name, location, name/title of representative, business description, capital stock, and fiscal year end. New company will operate the succeeded Furukawa Business after Company Split. In addition, all issued shares of New Company will be transferred to FEMA and further to the Joint Venture on the condition that Company Split takes effect.

What the Company transfers to the Joint Venture is all outstanding shares issued by the New Company and FEMM and all equity interest (49%) held by the Company. A capital contribution in kind is planned as a transfer method and shareholding ratio of the Joint Venture (FEMA, SPSX) is 39% and 61%, respectively.

(h) Schedule

Board resolution	September 26, 2019
Execution of the Definitive Agreements	December 17, 2019
Establishment of the New Company	September 24, 2019
Date of execution of absorption-type Company Split agreement	February 1, 2020
Effective date of absorption-type Company Split	Scheduled for October 1, 2020
Transaction execution date	Scheduled for October 1, 2020

(i) Overview of SPSX

Name	Superior Essex Holding Corp.
Location	5570 Powers Ferry Road, NW, Suite 300 Atlanta, GA 30327, USA
Name and title of representative	Director Brian Kim
Business description	Holding company
Relationship between the concerned companies	The Company and SPSX do not have any capital relations, personal relations, and business relations to be stated.

(3) Accounting estimate (View on an effect of the novel coronavirus)

(a) Items of the effect on its consolidated financial statements for the next fiscal year

out of those accounting estimates which have been recorded on its consolidated financial statements

The novel coronavirus has had a large effect on the economy and corporate activities and it is assessed that a material uncertainty is included in the Company's future plan prepared on the assumption of recoverability of deferred tax assets.

(b) Amounts reported in its consolidated financial statements for this fiscal year

Deferred tax assets ¥14,726 million (\$136,352 thousand)

(c) Other information for users of its consolidated financial statements in terms of accounting estimates

(i) Calculation methods of amounts reported in its consolidated financial statements for this fiscal year

Deferred tax assets are recorded based on future taxable income by estimating the future business plan.

(ii) Major assumptions to calculated amount reported in its consolidated financial statements for this fiscal year

As for the impact of the novel coronavirus, there is no consensus on when the virus will be contained. Although it is extremely difficult to forecast when economic activity will return to normal and effect on the result of the Group, the Company has developed a number of scenarios and evaluated them, taking into account information from outside source. Certain assumptions were used by the Company in order to come up with the best estimate using one of the scenarios analyzed. In estimating the future taxable income, the Company used the assumption that the novel coronavirus will be contained in September this year and economic activity will return to normal for the next six months.

(iii) Effects on its consolidated financial statements for the next fiscal year

Uncertainties in future economic activities may impact the amount of estimated future taxable income and schedule of temporary difference reversals. If the estimate of amount and such a schedule are different from actual, it is possible that amounts of deferred tax assets will have material impact on its consolidated financial statements for the next fiscal year and afterwards.

Therefore, major assumptions in (ii) above are based on the best estimate. However, there may be differences between the above estimates and the results, depending on the situation of the future economic activity and situation of the novel coronavirus.

3. U.S. Dollar Amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amount into U.S. dollar amounts are included solely for the convenience of readers outside Japan and

have been made at the rate of ¥ 108 to \$1, the approximate rate of exchange as of March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

4. Cash Flow Information

(1) Cash and cash equivalents as of March 31, 2020 and 2019 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and bank deposits	¥ 54,357	¥ 44,628	\$ 503,306
Less, time deposits with an original maturity of more than 3 months	(100)	(142)	(926)
Highly liquid securities	799	2,352	7,398
Cash and cash equivalents	<u>¥ 55,055</u>	<u>¥46,838</u>	<u>\$ 509,769</u>

(2) The followings are the summary of assets and liabilities which were transferred due to business transfer

(For the year ended March 31, 2020)
None

(For the year ended March 31, 2019)
The following are the summary of FCM Corporation and costs of shares and proceeds from sales of investments in the subsidiary.

	Millions of yen
	2019
Current assets	¥ 7,691
Non-current assets	4,552
Current liabilities	(5,431)
Non-current liabilities	(2,153)
Non-controlling interests	(2,084)
Gain on sale of shares of the subsidiary	293
Sales amount of those shares	<u>¥ 2,866</u>
Cash and cash equivalents	(1,037)
Proceeds from sales of those shares	<u>¥ 1,829</u>

5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value as of March 31, 2020 and 2019 included in “Marketable securities” (Current assets) and in “Investments and long-term loans” (Non-current assets) are summarized as follows:

	Millions of yen			
	2020			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ 798	¥ 798	¥ -	¥ -
Other debt securities	99	100	0	-
Total held-to-maturity debt securities	<u>¥ 898</u>	<u>¥ 898</u>	<u>¥ 0</u>	<u>¥ -</u>
Available-for-sale securities:				
Marketable equity securities	¥ 10,364	¥ 27,214	¥ 16,966	¥ (117)
Other securities	7	6	-	(1)
Total available-for-sale securities	<u>¥ 10,372</u>	<u>¥ 27,221</u>	<u>¥ 16,966</u>	<u>¥ (118)</u>
	Thousands of U.S. dollars			
	2020			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	\$ 7,389	\$ 7,389	\$ -	\$ -
Other debt securities	917	926	0	-
Total held-to-maturity debt securities	<u>\$ 8,315</u>	<u>\$ 8,315</u>	<u>\$ 0</u>	<u>\$ -</u>
Available-for-sale securities:				
Marketable equity securities	\$ 95,963	\$ 251,981	\$ 157,093	\$ (1,083)
Other securities	65	56	-	(9)
Total available-for-sale securities	<u>\$ 96,037</u>	<u>\$ 252,046</u>	<u>\$ 157,093</u>	<u>\$ (1,093)</u>
	Millions of yen			
	2019			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ 2,370	¥ 2,370	¥ -	¥ -
Other debt securities	99	101	1	-
Total held-to-maturity debt securities	<u>¥ 2,469</u>	<u>¥ 2,471</u>	<u>¥ 1</u>	<u>¥ -</u>
Available-for-sale securities:				

Marketable equity securities	¥ 13,913	¥ 45,482	¥ 31,623	¥ (53)
Other securities	0	0	-	-
Total available-for-sale securities	<u>¥ 13,914</u>	<u>¥ 45,483</u>	<u>¥ 31,623</u>	<u>¥ (53)</u>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2020 and 2019 were ¥10,347 million (\$95,806 thousand) and ¥6,660 million, respectively.

The gross realized gains on those sales for the years ended March 31, 2020 and 2019 were ¥7,492 million (\$69,370 thousand) and ¥4,657 million, respectively. The gross realized losses on those sales for the year ended March 31, 2020 and 2019 were ¥65 million (\$602 thousand) and zero, respectively.

Impairment loss on available-for-sale securities with fair value for the years ended March 31, 2020 and 2019 amounted to ¥1,102 million (\$10,204 thousand) and ¥168 million, respectively.

6. Inventories

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

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Merchandise and finished goods	¥ 34,550	¥ 40,169	\$ 319,907
Work in process	33,849	36,956	313,417
Raw materials and supplies	47,462	45,764	439,463
	<u>¥ 115,862</u>	<u>¥ 122,890</u>	<u>\$ 1,072,796</u>

The amounts of inventories for normal sales be written down due to a decrease of profitability are ¥388 million (\$3,593 thousand), and ¥1,366 million for the years ended March 31, 2020 and 2019, respectively, and are charged to cost of sales.

7. Investments and Long-term Loans

Investments and long-term loans as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Non-consolidated subsidiaries and affiliates	¥ 77,755	¥ 77,938	\$ 719,954
Other	31,555	49,203	292,176
	<u>¥ 109,310</u>	<u>¥ 127,141</u>	<u>\$ 1,012,130</u>

8. Short-term Debt, Commercial paper, Bonds and Long-term Debt

Short-term debt, commercial paper, long-term debt and bonds as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Short-term loans, principally from banks, the weighted average effective interest rate 2.6%	¥ 79,113	¥ 79,349	\$ 732,528
Commercial paper, the weighted average effective interest rate 0.0%	15,000	-	138,889
0.43% unsecured bonds due 2026	10,000	10,000	92,593
0.53% unsecured bonds due 2027	10,000	10,000	92,593
0.44% unsecured bonds due 2029	10,000	-	92,593
Unsecured Loans, principally from banks, due from 2021 to 2030, the weighted average effective interest rate 0.8%	<u>126,975</u>	<u>146,658</u>	<u>1,175,694</u>
	251,088	246,007	2,324,889
Less: portion due within one year	<u>(125,515)</u>	<u>(106,710)</u>	<u>(1,162,176)</u>
	<u>¥ 125,573</u>	<u>¥ 139,298</u>	<u>\$ 1,162,713</u>

As of March 31, 2020, the following assets were pledged as collateral for short-term debt of ¥875 million (\$8,102 thousand):

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Current assets	¥ -	\$ -
Property, plant and equipment	1,230	11,389
	<u>¥ 1,230</u>	<u>\$ 11,389</u>

As of March 31, 2019, the following assets were pledged as collateral for short-term debt of ¥638 million, long-term debt of ¥750 million, and others of ¥1,684 million:

	Millions of yen
	2019
Current assets*	¥ 2,366
Property, plant and equipment	1,757
	<u>¥ 4,123</u>

*) Collateral for guarantee on the extension of the deadline to pay import consumption tax

The aggregate annual maturities of the non-current portion of long-term debt and bonds as of March 31, 2020 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 25,946	\$ 240,241
2023	7,996	74,037
2024	17,629	163,231
2025	5,500	50,926
2026 and thereafter	<u>68,500</u>	<u>634,259</u>
	<u>¥ 125,573</u>	<u>\$ 1,162,713</u>

9. Severance and Retirement Plans

The Company and its consolidated subsidiaries have funded and/or unfunded defined benefit pension plans and/or defined contribution plans. The defined benefit plans consist of Employees' Pension Fund Plan, defined benefit corporation pension plan and lump-sum severance indemnity plan.

There are cases where additional retirement benefits are paid at the time of retirement of employees. The Company has established an employees' retirement benefit trust and certain consolidated subsidiaries have joined multi-employer employees' pension fund.

The plans, which are not possible to reasonably compute the amounts of plan assets corresponding to their own contribution amounts, are accounted for in the same way as the defined contribution plan.

Liability for retirement benefits and net periodic benefit costs are, however, calculated by the simplified method under the defined benefit corporation pension plans and the lump-sum severance indemnity plans set up by a part of consolidated subsidiaries.

a) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 104,271	¥ 103,760	\$ 965,472
Current service cost	4,251	3,915	39,361
Interest cost	1,116	1,196	10,333
Actuarial gain and loss	659	1,585	6,102
Unrecognized prior service cost	3	-	28
Benefits paid	(5,530)	(6,353)	(51,204)
Foreign currency transaction adjustments	458	167	4,241
Balance at end of year	¥ 105,230	¥ 104,271	\$ 974,352

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 63,681	¥ 67,779	\$ 589,639
Expected return on plan assets	1,766	1,792	16,352
Actuarial gain and loss	(4,891)	(1,944)	(45,287)
Contributions from the Company	3,449	1,221	31,935
Benefits paid	(4,251)	(5,238)	(39,361)
Foreign currency transaction adjustments	(381)	71	(3,528)

Balance at end of year	<u>¥ 59,373</u>	<u>¥ 63,681</u>	<u>\$ 549,750</u>
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(3) The changes in net liability for retirement benefits using a simplified method for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥ 1,508	¥ 2,049	\$ 13,963
Retirement benefit expenses	799	502	7,398
Benefits paid	(431)	(290)	(3,991)
Contributions to fund	(280)	(249)	(2,593)
Net effect resulting in change in scope of consolidation	107	(502)	991
Balance at end of year	<u>¥ 1,704</u>	<u>¥ 1,508</u>	<u>\$ 15,778</u>

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded defined benefit obligation	¥ 99,788	¥ 99,875	\$ 923,963
Plan assets	(63,644)	(68,039)	(589,296)
	36,144	31,836	334,667
Unfunded defined benefit obligation	11,416	10,261	105,704
Net liability for defined benefit obligation	<u>47,560</u>	<u>42,097</u>	<u>440,370</u>
Liability for retirement benefits	53,460	47,731	495,000
Asset for retirement benefits	(5,899)	(5,633)	(54,620)
Net liability for defined benefit obligation	<u>¥ 47,560</u>	<u>¥ 42,097</u>	<u>\$ 440,370</u>

Note: The above items include the part used a simplified method.

(5) The components of retirement benefit expenses 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	¥ 4,251	¥ 3,915	\$ 39,361
Interest cost	1,116	1,196	10,333
Expected return on plan assets	(1,766)	(1,792)	(16,352)
Amortization of actuarial gain and loss	1,413	1,484	13,083
Amortization of prior service cost	61	60	565
Retirement benefit expenses calculated on a simplified method	799	502	7,398
Total retirement benefit expenses	<u>¥ 5,876</u>	<u>¥ 5,366</u>	<u>\$ 54,407</u>

(6) The components of adjustments for retirement benefits in other comprehensive income (before tax effects) for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥ 63	¥ 58	\$ 583
Actuarial gain and loss	(5,015)	(2,448)	(46,435)
Total	¥ (4,952)	¥ (2,390)	\$ (45,852)

(7) The components of adjustments for retirement benefits in accumulated other comprehensive income (before tax effects) for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	¥ 41	¥ 104	\$ 380
Unrecognized actuarial gain and loss	14,793	9,778	136,972
Total	¥ 14,834	¥ 9,882	\$ 137,352

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

a) Components of plan assets

Plan assets consisted of the followings:

	2020	2019
Equity investments	34%	37%
Debt investments	26%	25%
Assets in a life-insurer's general account	20%	19%
Cash and deposits	2%	3%
Others	18%	16%
Total*	100%	100%

(*): The above plan assets included 12% and 14% of assets held by the retirement benefit trust set up for the retirement benefit plan as of March 31, 2020 and 2019, respectively.

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

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

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

	2020	2019
Discount rate	0.1-7.2%	0.4-8.5%
Expected rate of return on plan assets	1.0-6.2%	1.0-6.2%

b) Defined contribution plans

Required contributions for defined contribution plans for the years ended March 31, 2020 and 2019 were ¥514 million (\$4,759 thousand) and ¥520 million, respectively.

c) The multi-employer plan which contributions necessary is treated as net periodic pension costs is as follows:

(1) The funded status of the multi-employer plan as of March 31, 2020 and 2019, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Plan assets	¥ 78,774	¥ 205,822	\$ 729,389
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	92,789	(188,665)	859,157
Net balance	<u>¥ (14,015)</u>	<u>¥ 17,156</u>	<u>\$ (129,769)</u>

(2) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2020 and 2019, was as follows:

	2020	2019
The contribution ratio of the Group in the multi-employer plan	0.7%	0.4%

(3) Supplementary explanation

The above net balance resulted mainly from past service cost under the plan in pension actuarial valuation and special reserve.

The ratios above do not represent the actual actuarial liability ratio of the Group.

10. Shareholders' Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

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.

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.

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.

(Dividends)

Dividends whose record date is attributable to the year ended March 31, 2019 but to be effective in the following year.

(1) Dividend payment

Approvals by shareholders' meeting held on June 27, 2019 are as follows:

Type of shares	Common stock
Total amount of dividends	¥6,002 million
Funds for dividends	Retained earnings
Dividends per share	¥85.00
Record date	March 31, 2019
Effective date	June 28, 2019

(Note) Total amount of dividend payments includes dividends of ¥9 million paid for the Company's shares held in BBT.

(2) Dividends whose record date is attributable to the year ended March 31, 2020 but to be effective in the following year.

Approvals by shareholders' meeting held on June 23, 2020 are as follows:

Type of shares	Common stock
Total amount of dividends	¥6,002 million (\$55,574 thousand)
Funds for dividends	Retained earnings
Dividends per share	¥85.00 (\$0.79)
Record date	March 31, 2020
Effective date	June 24, 2020

(Note) Total amount of dividend payments includes dividends of ¥9 million (\$83 thousand) paid for the Company's shares held in BBT.

11. Contingent Liabilities

a) Contingent liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of
	2020	2019	U.S. dollars
			2020
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates)	¥ 4,156	¥ 6,004	\$ 38,481
Repurchase obligation of the securitization of receivables	5,780	5,931	53,519
Total	¥ 9,936	¥ 11,935	\$ 92,000

b) Other

(1) The Company and its related companies are now negotiating compensations for damage with a part of automobile manufacturers in connection with violation of the Competition Act by automobile wire harness cartels.

(2) In reference to the automotive parts manufactured by its consolidated subsidiaries, vehicles in which such parts have been incorporated were being recalled, the Company and its consolidated subsidiaries were requested to compensate a part of such costs by TOKAI RIKKA Co., LTD. (“TOKAI”), a purchaser of such parts, and had carried on negotiations, but have not yet reached an agreement.

In terms of the above case, American Furukawa, Inc., a consolidated subsidiary of the Company, is the subject of litigation filed by TRAM, Inc. and TRMI, Inc., subsidiaries of TOKAI, with the Michigan court of justice in the U.S. (Delivery date of legal complaint; June 15, 2017 (local time)). Compensation costs have reasonably been estimated and provided, however, as the result of continued negotiations and the case progresses, etc., those may be effected to the consolidated results of the Company.

Separately from the above, automobiles incorporated parts that are manufactured by consolidated subsidiaries, are being recalled, the Company and its consolidated subsidiaries are requested to compensate a part of such costs by the purchaser of those parts. As the result of continued negotiations and the case progresses, etc., those may be effected to the consolidated results of the Company. At present, it is impossible to estimate reasonably such additional amount.

12. Selling, General and Administrative Expenses

The 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
Freightage and packing expenses	¥ 20,698	¥ 21,180	\$ 191,648
Sales commissions	1,992	1,969	18,444
Salaries and wages	45,995	45,585	425,880
Retirement benefit expenses	2,398	2,118	22,204
Depreciation	3,362	2,665	31,130
Research and development costs	17,179	17,258	159,065
Other	35,050	35,491	324,537
Total	¥ 126,674	¥ 126,266	\$ 1,172,907

Research and development costs charged to “Selling, general and administrative expenses” and manufacturing costs for the years ended March 31, 2020 and 2019 amounted to ¥21,650 million (\$200,463 thousand) and ¥21,141 million, respectively.

13. Leases

The minimum rental commitments under noncancelable operating leases for the years ended March 31, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥ 764	¥ 1,038	\$ 7,074
Due after one year	1,640	2,413	15,185
Total	¥ 2,405	¥ 3,451	\$ 22,269

14. Other expenses

a) Restructuring costs

Restructuring costs, which mainly consist of special retirement allowance, are related to the downsizing staff in its consolidated subsidiary as part of the business restructuring.

b) Loss on disaster

Loss on disaster, which consists of loss of inventories and property, plant and equipment, recovery costs and others, is related to damage caused by fire accident in its consolidated subsidiary, Furukawa Circuit Foil Taiwan Corporation.

15. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax and enterprise tax, which in the aggregate would result in a statutory income tax rate of approximately 30.6% for the years ended March 31, 2020 and 2019. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

Summarized below is a reconciliation of the statutory income tax rate and the effective income tax rate for the years ended March 31, 2020 and 2019:

	2020	2019
Japanese statutory income tax rate	30.6%	30.6%
Entertainment expense and other	2.9	1.7
Equity in income (loss) of non-consolidated subsidiaries and affiliates	(2.4)	(1.4)
Research and development cost	(1.6)	(1.8)
Valuation allowance	3.8	8.1
Difference of applicable tax rate of overseas consolidated subsidiaries	(0.9)	(6.2)
Utilization of loss carryforwards	-	(19.7)
Amortization of goodwill	0.6	0.5
Undistributed earnings of subsidiaries and affiliates	3.5	0.3
Other, net	1.6	(2.8)
Effective income tax rate	38.2%	9.3%

Deferred tax assets (liabilities) as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Liability for retirement benefits	¥ 16,698	¥ 16,007	\$ 154,611
Provision for environmental costs	3,183	3,277	29,472
Loss carryforwards	45,041	46,621	417,046
Accrued bonus	3,348	3,327	31,000
Depreciation	2,075	3,305	19,213
Provision for product defect compensation	5,835	9,422	54,028
Impairment loss	7,167	6,853	66,361
Loss on write-down of inventories	1,030	1,001	9,537
Other	11,110	8,970	102,870
Gross deferred tax assets	95,493	98,787	884,194
Less valuation allowance for loss carryforwards	(39,163)	(40,580)	(362,620)
Less valuation allowance for total of future deductible temporary differences, etc.	(22,825)	(21,938)	(211,343)
Valuation allowance	(61,989)	(62,518)	(573,972)
Total deferred tax assets	33,503	36,268	310,213
Unrealized gain on available-for-sale securities	(5,179)	(9,773)	(47,954)
Undistributed earnings of subsidiaries and affiliates	(9,870)	(9,309)	(91,389)
Revaluation difference on land	(720)	(720)	(6,667)
Other	(3,398)	(4,366)	(31,463)
Total deferred tax liabilities	(19,168)	(24,170)	(177,481)
Net deferred tax assets	¥ 14,334	¥ 12,097	\$ 132,722

(For the year ended March 31, 2020)

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

March 31, 2020	Millions of Yen						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 loss carryforwards (*1)	¥ 1,852	¥ 1,721	¥ 2,824	¥ 7,332	¥ 6,110	¥ 25,201	¥ 45,041
Less valuation allowances for loss carryforwards	(978)	(1,283)	(1,675)	(5,431)	(4,619)	(25,175)	(39,163)
Net deferred tax assets relating to loss carryforwards (*2)	¥ 874	¥ 437	¥ 1,148	¥ 1,900	¥ 1,490	¥ 26	¥ 5,877

March 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 loss carryforwards (*1)	\$ 17,148	\$ 15,935	\$ 26,148	\$ 67,889	\$ 56,574	\$ 233,343	\$ 417,046
Less valuation allowances for loss carryforwards	(9,056)	(11,880)	(15,509)	(50,287)	(42,769)	(233,102)	(362,620)
Net deferred tax assets relating to loss carryforwards (*2)	\$ 8,093	\$ 4,046	\$ 10,630	\$ 17,593	\$ 13,796	\$ 241	\$ 54,417

(*1): Deferred tax assets relating to loss carryforwards are calculated using effective income tax rate.

(*2): In terms of deferred tax assets relating to loss carryforwards of ¥45,041 million (\$417,046), net deferred tax assets relating to loss carryforwards of ¥5,877 million (\$54,417 thousand) were recognized. No valuation allowance was recognized on a recoverable part of it, based on the estimated future taxable income. The estimates and assumptions used in determining future taxable income is consistent with those described in 3) Accounting estimate (View on an effect of the novel coronavirus) in the section 2. Significant Accounting Policies

(For the year ended March 31, 2019)

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

March 31, 2019	Millions of Yen						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 loss carryforwards	¥ 1,309	¥ 1,385	6,240	¥ 7,062	¥ 6,268	¥24,355	¥46,621
Less valuation allowances for loss carryforwards	(778)	(937)	(2,558)	(6,112)	(6,171)	(24,021)	(40,580)
Net deferred tax assets relating to loss carryforwards	¥ 530	¥ 447	¥ 3,681	¥ 949	¥ 97	¥ 333	¥ 6,041

16. Other Comprehensive Income (Loss)

(For the year ended March 31, 2020)

- 1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2020:

	<u>Millions of yen</u>	
Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	¥ (7,550)	
Reclassification adjustments for gains and losses included in profit	(7,163)	¥ (14,713)
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	(3,049)	
Reclassification adjustments for gains and losses included in profit	-	
Adjustments for amounts transferred to assets' acquisition costs	802	(2,246)
Adjustments for retirement benefits		
Amount arising during the year	(6,369)	
Reclassification adjustments for gains and losses included in profit	1,417	(4,952)
Foreign currency translation adjustments		
Amount arising during the year	(3,929)	
Reclassification adjustments for gains and losses included in profit	23	(3,905)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	(1,413)	
Reclassification adjustments for gains and losses included in profit	¥ (72)	(1,485)
Subtotal before tax effects		(27,303)
Tax effects		6,245
Total other comprehensive income		<u>¥ (21,058)</u>

	<u>Thousands of U.S. dollars</u>	
Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	\$ (69,907)	
Reclassification adjustments for gains and losses included in profit	(66,324)	\$ (136,231)
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	(28,231)	
Reclassification adjustments for gains and losses included in profit	-	
Adjustments for amounts transferred to assets' acquisition costs	7,426	(20,796)
Adjustments for retirement benefits		
Amount arising during the year	(58,972)	

Reclassification adjustments for gains and losses included in profit	13,120	(45,852)
Foreign currency translation adjustments		
Amount arising during the year	(36,380)	
Reclassification adjustments for gains and losses included in profit	213	(36,157)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	(13,083)	
Reclassification adjustments for gains and losses included in profit	(667)	(13,750)
Subtotal before tax effects		(252,806)
Tax effects		57,824
Total other comprehensive income		(194,981)

2) Deferred tax of other comprehensive income for the year ended March 31, 2020:

	Millions of yen		
	Before-tax amounts	Tax (expense) Benefits	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	¥ (14,713)	¥ 4,593	¥ (10,119)
Deferred gain or loss on derivatives under hedge accounting	(2,246)	641	(1,604)
Adjustments for retirement benefits	(4,952)	1,010	(3,942)
Foreign currency translation adjustments	(3,905)	-	(3,905)
Share of other comprehensive income of affiliates accounted for by the equity method	(1,485)	-	(1,485)
Total other comprehensive income	¥ (27,303)	¥ 6,245	¥ (21,058)

	Thousands of U.S. dollars		
	Before-tax amounts	Tax benefits (expense)	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	\$ (136,231)	\$ 42,528	\$ (93,694)
Deferred gain or loss on derivatives under hedge accounting	(20,796)	5,935	(14,852)
Adjustments for retirement benefits	(45,852)	9,352	(36,500)
Foreign currency translation adjustments	(36,157)	-	(36,157)
Share of other comprehensive income of affiliates accounted for by the equity method	(13,750)	-	(13,750)
Total other comprehensive income	\$ (252,806)	\$ 57,824	\$ (194,981)

(For the year ended March 31, 2019)

- 1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2019:

	Millions of yen
Unrealized gain or loss on available-for-sale securities	

Amount arising during the year	¥ (5,792)	
Reclassification adjustments for gains and losses included in profit	(4,571)	¥ (10,363)
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	887	
Reclassification adjustments for gains and losses included in profit	(165)	
Adjustments for amounts transferred to assets' acquisition costs	355	1,077
Adjustments for retirement benefits		
Amount arising during the year	(3,924)	
Reclassification adjustments for gains and losses included in profit	1,534	(2,390)
Foreign currency translation adjustments		
Amount arising during the year	(2,792)	(2,792)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	(1,409)	
Reclassification adjustments for gains and losses included in profit	10	
Adjustments for amounts transferred to assets' acquisition costs	¥ (9)	(1,408)
Subtotal before tax effects		(15,875)
Tax effects		2,566
Total other comprehensive income		¥ (13,309)

2) Deferred tax of other comprehensive income for the year ended March 31, 2019:

	Millions of yen		
	Before-tax amounts	Tax (expense) Benefits	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	¥ (10,363)	¥ 2,307	¥ (8,055)
Deferred gain or loss on derivatives under hedge accounting	1,077	(344)	733
Adjustments for retirement benefits	(2,390)	602	(1,787)
Foreign currency translation adjustments	(2,792)	-	(2,792)
Share of other comprehensive income of affiliates accounted for by the equity method	(1,408)	-	(1,408)
Total other comprehensive income	¥ (15,875)	¥ 2,566	¥ (13,309)

17. Amount Per Share

Yen		U.S. dollars
2020	2019	2020

Profit attributable to owners of parent per share:	Yen		U.S. dollars
	2020	2019	2020
Basic	¥ 250.25	¥ 412.98	\$ 2.32
Diluted	¥ -	¥ -	\$ -
Net assets per share	¥ 3,408.86	¥ 3,513.58	\$ 31.56

Basic profit attributable to owners of parent per common stock (the “Basic profit per share”) is calculated by dividing profit attributable to owners of parent by the weighted average number of shares of common stock outstanding during the respective years (the “Weighted average number of shares”), adjusted for treasury stock held.

Diluted profit attributable to owners of parent per common stock has not been presented for the years ended March 31, 2020 and 2019, since the Company has issued no dilutive potential shares.

Net assets per share are computed based on the net assets excluding non-controlling interests, and the number of shares of common stock outstanding at the year end.

The Company’s shares held in Board Benefit Trust (See in Note 2. (s)), which are treated as treasury stock, are deducted from the number of shares at the end of the fiscal year, used in the calculation of the net asset per share, and also deducted from the weighted average number of shares used in the calculation of basic profit per share.

The number of shares of the above treasury stock deducted as of March 31, 2020 and 2019 are 113,500 and 115,000 shares, respectively. The weighted average number of shares of the above treasury stock deducted during the fiscal year ended March 31, 2020 and 2019 are 113,875 and 116,450 shares, respectively.

The bases for “Amount Per Share” calculation are as follows:

a) Basic profit attributable to owners of parent per share

	Thousands of shares	
	2020	2019
Weighted average number of shares of common stock during the fiscal year	70,487	70,485

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit attributable to owners of parent	¥ 17,639	¥ 29,108	\$ 163,324
Profit not attributable to owners of parent	-	-	-
Profit attributable to owners of parent related to common stock	¥ 17,639	¥ 29,108	\$ 163,324

b) Net assets per share

	Thousands of shares	
	2020	2019
Number of shares of common stock at the end of the fiscal year	70,487	70,486

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥ 273,030	¥ 279,911	\$ 2,528,056
Amounts deducted from total net assets:			
Non-controlling interests	(32,750)	(32,252)	(303,241)
Net assets attributable to shares of common stock	¥ 240,280	¥ 247,659	\$ 2,224,815

18. Financial Instruments and Related Disclosures

a) Conditions of Financial instruments

(1) Policy for financial instruments

The fund management policy of the Group (the Company and its consolidated subsidiaries) has been set up to put its operating funds in deposits or investments that are assured of no impairment in the principal and the necessary fund is obtained through borrowings from banks and other financial institutions and bond issuances.

Derivative transactions are not entered into for speculative purposes.

(2) Details of financial instruments and associated risks and risk management system

Trade notes and accounts receivable arising from operation are exposed to credit risk of customers. The Group carries out the practice of keeping track of due dates and outstanding balances of each customer under the credit management rules, as well as monitoring major customers' credit status on a regular basis in order to minimize credit risk.

Marketable securities and investment securities are mainly equity securities and exposed to the risk of changes in market value. These securities are primarily the shares of companies with which the Group has business relationship, and the fair value of these securities are evaluated on a regular basis.

Trade notes and accounts payable arising from operations normally have payment terms of less than one year.

Short-term and long-term debt are mainly utilized for working capital and capital investments. The interest rate risk of a certain portion of those loans payable is hedged using interest rate swaps as hedging instruments.

On derivative transactions, foreign exchange forward contracts are used for hedge of foreign currency risk associated with receivables and payables arising from operations and denominated in foreign currency, interest rate swaps are used for hedge of interest rate risk associated with loans payable, metal forward contracts are used for hedge of price risk of raw materials and work in process. Execution and management of derivative transactions are subject to related internal rules.

In relation to accounting for hedge transactions, hedging instruments and hedged items,

hedging policy, and effectiveness of hedge transactions are set out in the Company's internal rules.

Although trade payable and short-term and long-term debt are exposed to liquidity risk, these payables are managed by such means as cash flow projections prepared on a timely manner.

(3) Supplementary information on the fair value of financial instruments

The fair value of financial instruments is based upon the market prices or reasonable estimates of fair value of these instruments if these fair values are not available. The estimated fair values would not be fixed due to variety of factors and assumptions. In addition, the contractual amounts of the derivative transactions set out in "2. Fair value of financial instruments" as below are not an indicator of the market risk associated with derivative transactions.

b) Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2020 and 2019 are as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included in the following table. (Please see "Financial instruments of which the fair value is extremely difficult to measure")

(As of March 31, 2020)

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	¥ 54,357	¥ 54,357	¥ -
(2) Trade receivable	192,513	192,513	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	898	898	0
b. Available-for-sale securities	27,221	27,221	-
c. Unconsolidated subsidiaries and affiliated companies	60,287	30,659	(29,628)
Total of assets	335,277	305,650	(29,627)
(1) Trade payable	(111,586)	(111,586)	-
(2) Short-term debt	(110,515)	(110,515)	-
(3) Commercial paper	(15,000)	(15,000)	-
(4) Bonds (including current portion)	(30,000)	(29,895)	104
(5) Long-term debt	(95,573)	(96,156)	(582)
Total of liabilities	(362,675)	(363,154)	(478)
Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	768	768	-
(2) Derivative transactions for which hedge accounting apply	(1,785)	(1,785)	-
Total of derivative transactions	¥ (1,017)	¥ (1,017)	¥ -

	Thousands of U.S. dollars
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	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	\$ 503,306	\$ 503,306	\$ -
(2) Trade receivable	1,782,528	1,782,528	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	8,315	8,315	0
b. Available-for-sale securities	252,046	252,046	-
c. Unconsolidated subsidiaries and affiliated companies	558,213	283,880	(274,333)
Total of assets	3,104,417	2,830,093	(274,324)
(1) Trade payable	(1,033,204)	(1,033,204)	-
(2) Short-term debt	(1,023,287)	(1,023,287)	-
(3) Commercial paper	(138,889)	(138,889)	-
(4) Bonds (including current portion)	(277,778)	(276,806)	963
(5) Long-term debt	(884,935)	(890,333)	(5,389)
Total of liabilities	(3,358,102)	(3,362,537)	(4,426)
Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	7,111	7,111	-
(2) Derivative transactions for which hedge accounting apply	(16,528)	(16,528)	-
Total of derivative transactions	\$ (9,417)	\$ (9,417)	\$ -

(*1); Liabilities are included in parentheses.

(*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities are included in parentheses.

(As of March 31, 2019)

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	¥ 44,628	¥ 44,628	¥ -
(2) Trade receivable	219,347	219,347	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	2,469	2,471	1
b. Available-for-sale securities	45,483	45,483	-
c. Unconsolidated subsidiaries and affiliated companies	59,878	38,379	(21,499)
Total of assets	371,809	350,311	(21,497)
(1) Trade payable	(131,422)	(131,422)	-
(2) Short-term debt	(106,710)	(106,710)	-
(3) Bonds (including current portion)	(20,000)	(20,130)	(130)
(4) Long-term debt	(119,298)	(119,994)	(695)
Total of liabilities	(377,432)	(378,258)	(826)

Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	(146)	(146)	-
(2) Derivative transactions for which hedge accounting apply	697	697	-
Total of derivative transactions	¥ 551	¥ 551	¥ -

(*1); Liabilities are included in parentheses.

(*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities are included in parentheses.

I. Fair value of financial instruments

Assets

(1) Cash and bank deposits

The carrying amount approximates fair value due to the short maturity of these instruments.

(2) Trade receivable

The carrying amount approximates fair value due to the short maturity of these instruments.

A part of trade receivable is treated as receivable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

(3) Marketable securities and investment securities

The fair value of equity securities is based on quoted market price, if available. The fair value of debt securities is based on quoted market price or provided price by financial institutions. Marketable securities and investment securities by holding purpose are set out in “Note 5. Debt and Equity Securities”.

Liabilities

(1) Trade payable

The carrying amount approximates fair value because of the short maturity of these instruments.

A part of trade payable is treated as payable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

(2) Short-term debt

The carrying amount approximates fair value because of the short maturity of these instruments.

(3) Commercial paper

The carrying amount approximates fair value because of the short maturity of these instruments.

(4) Bonds

Fair value of bonds is based on quoted market price, if available. If not, the fair value is based on present value by discounting total cash flows of principal

and interest to be paid at the rate considering remaining periods of those bonds and the related credit risk.

(5) Long-term debt

Fair value of long-term debts is based on the price provided by financial institutions or the present value of future cash flows discounted using the current interest rate for similar debt of a comparable maturity. Interest rate swaps subject to special treatment are used for long-term floating rate debt. Principal and interest of the interest in which these interest rate swaps are embedded, are discounted using the current interest rate, which is estimated reasonably for similar debt of a comparable maturity.

Derivative Transactions

Notional amount, fair value, unrealized gain or loss, and others are described in Note 18. “Additional Information on Derivatives”.

II. Financial instruments of which the fair value is extremely difficult to measure
Unlisted investment securities of unconsolidated subsidiaries and affiliated companies amounted to ¥13,425 million (\$124,306 thousand) and ¥13,727 million as of March 31, 2020 and 2019 are not included in (3) Marketable securities and investments securities a. Held-to-maturity debt securities and c. Unconsolidated subsidiaries and affiliated companies above, because market value is not available and their future cash flow are difficult to estimate, accordingly it is not practicable to estimate the fair value.

III. The redemption schedule for money claim and held-to-maturity debt securities with maturity date subsequent to the consolidated balance sheets date:

(As of March 31, 2020)

	Millions of yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 52,805	¥ -	¥ -	¥ -
Trade receivable	192,513	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	798	-	-	-
2) Other debt securities	99	-	-	-
Total	¥ 246,218	¥ -	¥ -	¥ -

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	\$ 488,935	\$ -	\$ -	\$ -
Trade receivable	1,782,528	-	-	-
Marketable securities and investments securities				

Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	7,389	-	-	-
2) Other debt securities	917	-	-	-
Total	\$ 2,279,796	\$ -	\$ -	\$ -

(As of March 31, 2019)

	Millions of yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 43,305	¥ -	¥ -	¥ -
Trade receivable	219,347	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	2,370	-	-	-
2) Other debt securities	-	99	-	-
Total	¥ 265,023	¥ 99	¥ -	¥ -

IV. The redemption schedule for long-term debt and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date are described in “Note 8. Short-term Debt, Long-term Debt and Bonds”.

19. Additional Information on Derivatives

(1) Derivative transactions for which hedge accounting does not apply

(a) Foreign currency related transactions

(As of March 31, 2020)

	Millions of yen				Thousands of U.S. dollars			
	2020				2020			
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)
Non-market transaction								
Foreign currency:								
Sell								
U.S.\$	¥ 8,143	¥ -	¥ (21)	¥ (21)	\$ 75,398	\$ -	\$ (194)	\$ (194)
Yen	1,113	-	39	39	10,306	-	361	361
Qatari Riyal	619	-	(0)	(0)	5,731	-	(0)	(0)
Bahraini Dinar	3,599	-	60	60	33,324	-	556	556
Indonesian Rupiah	2,601	-	312	312	24,083	-	2,889	2,889
Other	4,896	-	10	10	45,333	-	93	93
Buy								
U.S.\$	766	19	31	31	7,093	176	287	287

Yen	434	-	3	3	4,019	-	28	28
Other	165	-	(2)	(2)	1,528	-	(19)	(19)
Currency Swaps								
Receiving Yen, paying Philippine peso	747	747	(28)	(28)	6,917	6,917	(259)	(259)
Total	<u>¥23,088</u>	<u>¥ 766</u>	<u>¥ 405</u>	<u>¥ 405</u>	<u>\$213,778</u>	<u>\$ 7,093</u>	<u>\$ 3,750</u>	<u>\$ 3,750</u>

(*) Fair value is determined by prices obtained from foreign exchange market.

(As of March 31, 2019)

		Millions of yen			
		2019			
		Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)
Sell					
U.S.\$		¥ 2,185	-	¥ (16)	¥ (16)
Yen		1,019	-	38	38
Qatari Riyal		1,213	-	(51)	(51)
Bahraini Dinar		4,991	622	(131)	(131)
Indonesian Rupiah		2,911	-	(56)	(56)
Other		73	-	(0)	(0)
Buy					
U.S.\$		3,465	-	16	16
Yen		1,554	-	5	5
Other		666	-	18	18
Total		<u>¥18,081</u>	<u>¥ 622</u>	<u>¥ (177)</u>	<u>¥ (177)</u>

(*) Fair value is determined by prices obtained from foreign exchange market.

(b) Commodity related transactions

(As of March 31, 2020)

		Millions of yen				Thousands of U.S. dollars			
		2020				2020			
		Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)
Market transaction									
Forward contracts:									
Sell	¥ 8,004	¥ -	¥ 290	¥ 290	\$ 74,111	\$ -	\$ 2,685	\$ 2,685	
Buy	13,937	517	70	70	129,046	4,787	648	648	
Total	<u>¥ 21,942</u>	<u>¥ 517</u>	<u>¥ 360</u>	<u>¥ 360</u>	<u>\$ 203,167</u>	<u>\$ 4,787</u>	<u>\$ 3,333</u>	<u>\$ 3,333</u>	

(*) Fair value is determined by prices obtained from commodity exchange market.

(As of March 31, 2019)

		Millions of yen			
		2019			
		Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain (loss)

Market transaction				
Forward contracts:				
Sell	¥ 9,322	¥ -	¥ (98)	¥ (98)
Buy	5,260	-	127	127
Total	¥ 14,583	¥ -	¥ 28	¥ 28

(*) Fair value is determined by prices obtained from commodity exchange market.

(2) Derivative transactions for which hedge accounting apply

(a) Foreign currency related transactions

(As of March 31, 2020)

		Millions of yen				Thousands of U.S. dollars		
		2020				2020		
Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value (*)	
Normal accounting method								
Foreign currency:								
Sell								
U.S.\$	Trade Receivable	¥10,460	¥223	¥24	Forward rate of foreign currency	\$ 96,852	\$ 2,065	\$ 222
Euro	(Forecast transactions)	88	-	0		815	-	-
Other		931	-	(0)		8,620	-	-
Buy								
U.S.\$	Trade payable	11,452	393	90	Forward rate of foreign currency	106,037	3,639	833
Euro	(Forecast transactions)	692	57	(10)		6,407	528	(93)
Other		4,130	-	(38)		38,241	-	(352)
Assignment accounting (special treatment for foreign exchange forward contracts)								
Foreign currency:								
Sell								
U.S.\$	Trade receivable	2,501	-	-		23,157	-	-
Other		185	-	-		1,713	-	-
Buy								
U.S.\$	Trade payable	276	-	-		2,556	-	-
Other		-	-	-		-	-	-
Currency swap								
Receiving U.S.\$, Paying Yen	Long-term debt	2,000	-	-		18,519	-	-
Total		¥ 32,720	¥ 674	¥ 65		\$ 302,963	\$ 6,241	\$ 602

(*) The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) is accounted for together with the underlying trade receivable or trade payable or long-term debt subject to hedging.

(As of March 31, 2019)

Millions of yen					
2019					
	Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Calculation method of fair value
Normal accounting method					
Foreign currency:					
Sell					
U.S.\$	Trade	¥6,739	¥ 268	¥ (18)	Forward rate of foreign currency
Euro	Receivable	365	77	10	
Other	(Forecast transactions)	150	-	(1)	
Buy					
U.S.\$	Trade	11,941	19	(12)	Forward rate of foreign currency
Euro	payable	75	-	0	
Other	(Forecast transactions)	3,597	-	(26)	
Assignment accounting (special treatment for foreign exchange forward contracts)					
Foreign currency:					
Sell					
U.S.\$	Trade	15,015	-	-	
Other	receivable	383	-	-	
Buy					
U.S.\$	Trade	489	-	-	
Other	payable	-	-	-	
Currency swap					
Receiving U.S.\$, Paying Yen	Long-term debt	2,000	2,000	-	
Total		¥40,757	¥2,365	¥ (47)	

(*) The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) is accounted for together with the underlying trade receivable or trade payable or long-term debt subject to hedging.

(b) Interest-rate related transactions

(As of March 31, 2020)

Millions of yen					Thousands of U.S. dollars		
2020					2020		
	Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Notional Amount	Portion over 1 year	Fair value (*)
Special treatment interest rate swap:							
Receiving fixed rates and paying floating rates	Long-term debt	¥983	¥798	¥ -	\$ 9,102	\$ 7,389	\$ -
Receiving floating rates and paying fixed rates	Long-term debt	29,100	10,500	-	269,444	97,222	-
Total		¥30,083	¥11,298	¥ -	\$ 278,546	\$ 104,611	\$ -

(*) The fair value of interest rate swaps subject to special treatment embeds in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

(As of March 31, 2019)

Millions of yen				
2019				
Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	
Special treatment interest rate swap:				
Receiving fixed rates and paying floating rates	Long-term debt	¥ -	¥ -	¥ -
Receiving floating rates and paying fixed rates	Long-term debt	46,100	26,100	-
	Total	<u>¥ 46,100</u>	<u>¥ 26,100</u>	<u>¥ -</u>

(*) The fair value of interest rate swaps subject to special treatment embeds in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

(c) Commodity related transactions

(As of March 31, 2020)

Millions of yen					Thousands of U.S. dollars		
2020					2020		
Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value
Normal accounting method:							
Forward contracts for metal materials:							
Raw				Forward			
Sell materials and work	¥ 2,558	¥ -	¥ 275	rate of metal	\$ 23,685	\$ -	\$ 2,546
Buy in process	17,556	1,413	(2,126)	material	162,556	13,083	(19,685)
Total	<u>¥ 20,115</u>	<u>¥ 1,413</u>	<u>¥ (1,851)</u>		<u>\$ 186,250</u>	<u>\$ 13,083</u>	<u>\$ (17,139)</u>

(As of March 31, 2019)

Millions of yen				
2019				
Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value
Normal accounting method:				
Forward contracts for metal materials:				
Raw				Forward
Sell materials and work	¥ 2,466	¥ -	¥ (53)	rate of metal
Buy in process	17,479	837	799	material

Total	<u>¥ 19,946</u>	<u>¥ 837</u>	<u>¥ 745</u>
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20. Subsequent events

Company split in the copper tube business and transfer of shares of succeeding company

The Company resolved at the Board of Directors meeting held on September 27, 2019, to transfer the business related to the development, manufacture and sales of copper tubes, copper tube components and copper plates (hereinafter the “Business”), and all of the outstanding shares issued by Okumura Metals Co., Ltd. (hereinafter “Okumura Metals”), the wholly-owned subsidiary of the Company to a newly established by the Company (hereinafter “New Company”) through an absorption-type company split (hereinafter “Company Split”), and to transfer all of the outstanding shares issued by the New Company and the Company’s equity share in the consolidated subsidiary Furukawa Metal (Thailand) Public Co., Ltd. (hereinafter “FMT”) to CTJ Holdings 2 LLC (hereinafter “CTJ”), which is SPC and indirectly capitalized by Japan Industry No. 5 Investment Limited Partnership managed by Japan Industrial Partners, Inc. (hereinafter “Stock Transfer” and “Transaction” incases including the Company Split) . The stock transfer agreement was conducted with CTJ on the same day.

In addition, assets owned by the Company will also be transferred (hereafter, the “Asset Transaction”) upon completion of the Stock Transfer, as approved at the board of directors meeting on March 26, 2020.

(1) Objective of the Transaction

In its mid-term management plan “Furukawa G Plan 2020” formulated in 2016, the Company have worked to strengthen focus on these businesses and products. In addition, the Company has been reviewing its overall business portfolio. As a result of the comprehensive consideration of business synergies amongst the Company's focus businesses / products and the Business, and the further enhancement of the competitiveness of the Business, it was determined that transfer to CTJ, which is aiming to achieve business growth and integration with other copper tube companies, will contribute to the sustainable growth of the Business. Thus, the Company decided to conduct the Transaction with CTJ.

(2) Method of the company split

It is an absorption-type company split in which the Company is the split company and the New Company is the succeeding company. And the Company succeeded all of the outstanding shares issued by Okumura Metals, a wholly-owned subsidiary of the Company for the New Company.

(3) Schedule of the Transaction

Approval for the Transaction by the Board of directors	September 27, 2019
Conclusion of a stock transfer agreement	September 27, 2019
Establishment of the New Company	December 2, 2019
Conclusion of an absorption-type company split agreement	January 23, 2020

Scheduled date of the company split (effective date)	April 1, 2020
Effective date of the stock transfer	June 1, 2020

(4) Share allotments relating to the company split

The New Company issued 9,999 shares of common stock at the time of the Company Split and allot all of those shares to the Company.

(5) Rights and obligations assumed by the succeeding company

In accordance with the provisions of the absorption-type company split agreement concluded between the New Company and the Company, the New Company succeeded all of the outstanding shares issued by Okumura Metals, as well as the assets, liabilities and contractual status of the Business and the rights and obligations relating thereto.

(6) The financial position and the result of its division to be spited (the fiscal year ended March 31, 2020)

Net sales	¥9,170 million (\$84,907 thousand)
Assets	¥1,680 million (\$15,556 thousand)
Liabilities	-

And overview of Okumura Metals, the succeeding company is as follows;

Name	Okumura Metals Co., Ltd.
Address	6, Doicho 7-chome , Amagasaki-shi, Hyogo prefecture
The result of operations and the financial position of the current year	
Fiscal year	March 31, 2020
Net assets	¥1,820 million (\$16,852 thousand)
Net sales	¥3,228 million (\$29,889 thousand)

(7) Overview of the companies concerned to the company split

	Split company (the Company)	Succeeding company (New Company)
Name	Furukawa Electric Co., Ltd.	Daishin P&T Co., Ltd.
Address	2-3 , Marunouchi 2-chome, Chiyoda- ku, Tokyo	6, Doicho 7-chome, Amagasaki-shi, Hyogo Prefecture
Name and title of the representative	Keiichi Kobayashi, President	Takeshi Nishizawa, President
Business description	Development, manufacture and sales of optical fiber cables, power cables, automotive wire harnesses	Development, manufacture and sales of copper tubes, copper tube components and copper plates
Capital stock	¥69,395 million (\$642,546 thousand)	¥5,000 (\$46)

Date established	June 25, 1896	December 2, 2019
Outstanding shares issued	70,666,917 shares (as of March31, 2020)	1 share (as of March31, 2020)

(8) Summary of the Stock Transfer

(a) The Stock Transfer method

All outstanding shares of the New Company and the Company's equity share in the FMT were transferred to CTJ.

(b) Summary of the subsidiaries to be transferred

(i) New Company

Please refer to the details in the "Succeeding company (New Company)" column in (7) Overview of the companies concerned to the company split above.

(ii) FMT (As of December 31, 2019)

Name	Furukawa Metal (Thailand) Public Co., Ltd
Address	183 Regent House Building, 14th Floor, Rajdamri Road, Lumpini, Pathumwan,, Bangkok 10330
The Company's shareholding ratio	44.0% (including indirect ownership 1.7%)
The result of operation and financial position in the latest fiscal year	
Fiscal year	Year ended December 31, 2019
Net assets	1,605 million Baht
Net sales	6,066 million Baht

(iii) Summary of the transfer recipient

Name	CTJ Holdings2LLC
Address	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo
Name and title of the representative	Representative Partner of T.J Holdings Co., Ltd. Executor of Managing Partner ,Koji Muranaka
Business description	Acquisition and holding securities, and related business operations
Relationship with the Company	The Company has no capital relationships, personnel relationships or transactional relationships with this company that deserve mention.

(iv) Number of shares to be transferred, transfer amount and status of shareholding after the transfer

	Daishin P&T Co., Ltd.	FMT
Shareholding prior to	10,000 shares	21,120,000 shares

the transfer	(Shareholding ratio: 100%)	(Shareholding ratio:44.0%, including indirect ownership)
Number of shares transferred	10,000 shares	20,280,280 shares
Shareholding after the transfer	0 shares (Shareholding ratio: 0%)	839,720 shares (Shareholding ratio:1.7%, including indirect ownership)
Transfer amount	No disclosure requested by the transfer recipient	
Loss on transfer of stock	¥3,705 million (\$34,306 thousand) (estimated) Since final transfer amount will be determined by adjusting the transfer amount after the deal closing in accordance with the stock transfer agreement, loss on transfer of stock would be changed.	

(v) Schedule of the Stock Transfer

Please refer to (3) Schedule of the Transaction above.

(9) Summary of the Asset Transfer

(a) Purpose of the Asset Transfer

The Company reviewed its assets held to utilize management resources effectively and to strengthen its financial condition, the following assets will be transferred. The Company transferred the Business which operates on the site described (c) below to CTJ, this asset transfer is subject to the execution condition of this transfer of the Business.

(b) Overview of the transfer recipient

This overview is not disclosed by the intention of the transfer recipient. The Company has no capital relationships, personnel relationships or transactional relationships with this company and this transfer recipient is not its related parties.

(c) Description of the assets to be transferred

Name of asset and address	Current status
6, Doicho 7-chome, Amagasaki-shi, Hyogo Prefecture	Factory site, etc.

(Note) The transfer amount and book value are discoursed in accordance with the intention of the transfer recipient

(d) Schedule of the Asset Transfer

Date of the resolution of board of directors meeting	March 26, 2020
Date of conclusion of the agreement	March 26, 2020

Date to be delivered	June 30, 2020
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21. Segment Information

1. Outline of reportable segments

The reportable segments of the Company are components for which the financial information can be obtained separately from its other components, and the Board of Directors reviews such reportable segments on a regular basis in order to decide allocations of managerial resources and evaluate business performance.

The Group establishes divisions by type of product and service, and each division draws up their comprehensive strategy on the products sold and services performed in domestic and overseas market.

Products and services of main business on each segment are as follows:

(1) Infrastructure

Optical fiber, optical fiber cable, optical components, semiconductor optical devices, material communication cable, fusion splicer, industrial lasers, network equipment, CATV system, radio products, power transmission cable, power transmission cable accessories and insulations, insulated wires, electrical insulation tape, electronic material products, etc.

(2) Electronics & Automotive Systems

Automotive components (wire harness, steering roll connector, battery state sensor, perimeter monitoring radar, etc.), automatic batteries/batteries for industrial use, copper/aluminum wires, magnet wires, copper and copper alloy products, functional surface products (plating), processed products for electronic parts (leading frame, etc.), special metal materials (shape-memory/super-elastic alloys), etc.

(3) Functional Products

Cable conduits, water-feeding pipe materials, foaming products, UV tapes for semiconductor manufacturing, electronic components materials, heat-dissipation products, hard disc drive (HDD) aluminum substrates, electrodeposited copper foils, etc.

(4) Service and Development, etc.

Logistics, supporting service for each business of the Group as business in trust etc., real-estate leasing, hydraulic power generation, driving of R&D for new products, etc.

To further accelerate the development, some operation, which was previously classified as “Electronics & Automotive Systems” segment, was changed to “(4) Service and Development, etc.”.

The last year’s segment information was retroactively revised based on the current classification.

2. Segment information on sales and income (loss), identifiable assets and other items by business for the years ended March 31, 2020 and 2019 is summarized as follows:

(For the year ended March 31, 2020)

Millions of yen							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales							
Outside customers	¥ 276,039	¥ 493,734	¥ 110,478	¥ 34,187	¥ 914,439	¥ -	¥ 914,439
Inter-segment sales	4,892	15,566	5,398	16,131	41,988	(41,988)	-
Total	280,932	509,300	115,877	50,318	956,428	(41,988)	914,439
Segment income(loss)	¥ 1,710	¥ 14,818	¥ 7,467	¥ (349)	¥ 23,645	¥ (80)	¥ 23,565
Assets	¥ 261,220	¥ 320,802	¥ 100,616	¥ 148,366	¥ 831,005	¥ (36,389)	¥ 794,616
Others							
Depreciation	¥ 9,043	¥ 13,035	¥ 4,496	¥ 1,458	¥ 28,034	¥ 1,389	¥ 29,423
Amortization of goodwill	¥ 70	¥ 122	¥ 115	¥ 345	¥ 654	¥ -	¥ 654
Investments in affiliates accounted for by the equity method	¥ 8,081	¥ 6,875	¥ 7,267	¥ 48,194	¥ 70,419	¥ -	¥ 70,419
Tangible/intangible fixed assets increased	¥ 18,428	¥ 21,505	¥ 4,772	¥ 2,599	¥ 47,305	¥ 5,838	¥ 53,144

Thousands of U.S. dollars (Note 3)							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales							
Outside customers	\$ 2,555,917	\$ 4,571,611	\$ 1,022,944	\$ 316,546	\$ 8,467,028	\$ -	\$ 8,467,028
Inter-segment sales	45,296	144,130	49,981	149,361	388,778	(388,778)	-
Total	2,601,222	4,715,741	1,072,935	465,907	8,855,815	(388,778)	8,467,028
Segment income(loss)	\$ 15,833	\$ 137,204	\$ 69,139	\$ (3,231)	\$ 218,935	\$ (741)	\$ 218,194
Assets	\$ 2,418,704	\$ 2,970,389	\$ 931,630	\$ 1,373,759	\$ 7,694,491	\$ (336,935)	\$ 7,357,556
Others							
Depreciation	\$ 83,731	\$ 120,694	\$ 41,630	\$ 13,500	\$ 259,574	\$ 12,861	\$ 272,435
Amortization of goodwill	\$ 648	\$ 1,130	\$ 1,065	\$ 3,194	\$ 6,056	\$ -	\$ 6,056
Investments in affiliates accounted for by the equity method	\$ 74,824	\$ 63,657	\$ 67,287	\$ 446,241	\$ 652,028	\$ -	\$ 652,028
Tangible/intangible fixed assets increased	\$ 170,630	\$ 199,120	\$ 44,185	\$ 24,065	\$ 438,009	\$ 54,056	\$ 492,074

(For the year ended March 31, 2019)

Millions of yen							
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales							
Outside customers	¥ 282,250	¥ 535,659	¥ 140,748	¥ 32,931	¥ 991,590	¥ -	¥ 991,590
Inter-segment sales	5,723	25,995	8,551	15,649	55,920	(55,920)	-
Total	287,973	561,655	149,300	48,580	1,047,511	(55,920)	991,590
Segment income(loss)	¥ 7,430	¥ 19,469	¥ 13,539	¥ 292	¥ 40,731	¥ 111	¥ 40,842
Assets	¥ 263,288	¥ 339,075	¥ 102,879	¥ 140,313	¥ 845,555	¥ (27,534)	¥ 818,021
Others							
Depreciation	¥ 7,632	¥ 11,703	¥ 4,416	¥ 1,312	¥ 25,064	¥ 1,207	¥ 26,271
Amortization of goodwill	¥ 114	¥ 9	¥ 119	¥ 345	¥ 588	¥ -	¥ 588
Investments in affiliates accounted for by the equity method	¥ 7,082	¥ 7,091	¥ 6,983	¥ 48,895	¥ 70,052	¥ -	¥ 70,052
Tangible/intangible fixed assets increased	¥ 23,986	¥ 16,115	¥ 5,247	¥ 1,710	¥ 47,060	¥ 2,976	¥ 50,036

* Inter-segment transactions are eliminated from the consolidated financial statements. Corporate assets are included in the consolidated financial statements. Adjustments include increase of tangible/intangible fixed assets and depreciation related to the corporate assets.

<Related information>
Information by regions

(For the year ended March 31, 2020)

	Millions of yen					
	Japan	China	Other Asian areas	North middle America	Other	Total
Net sales	¥ 495,658	¥ 75,059	¥ 183,033	¥ 78,302	¥ 82,386	¥ 914,439

	Millions of yen				
	Japan	Asia	America	Other	Total
Property, plant and equipment, net of accumulated depreciation	¥ 142,846	¥ 67,362	¥ 34,506	¥ 9,502	¥ 254,219

	Thousands of U.S. dollars (Note 3)					
	Japan	China	Other Asian areas	North middle America	Other	Total
Net sales	\$ 4,589,426	\$ 694,991	\$ 1,694,750	\$ 725,019	\$ 762,833	\$ 8,467,028

	Thousands of U.S. dollars (Note 3)				
	Japan	Asia	America	Other	Total
Property, plant and equipment, net of accumulated depreciation	\$ 1,322,648	\$ 623,722	\$ 319,500	\$ 87,981	\$ 2,353,880

(For the year ended March 31, 2019)

	Millions of yen					
	Japan	China	Other Asian areas	North middle America	Other	Total
Net sales	¥ 521,281	¥ 94,006	¥ 213,260	¥ 72,677	¥ 90,364	¥ 991,590

	Millions of yen				
	Japan	Asia	America	Other	Total
Property, plant and equipment, net of accumulated depreciation	¥ 131,647	¥ 56,394	¥ 32,035	¥ 9,283	¥ 229,360

<Information of impairment loss by reportable segments>

(For the year ended March 31, 2020)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	¥ 236	¥ 368	¥ 18	¥ -	¥ 623	¥ -	¥ 623

	Thousands of U.S. dollars (Note 3)						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	\$ 2,185	\$ 3,407	\$ 167	\$ -	\$ 5,769	\$ -	\$ 5,769

(For the year ended March 31, 2019)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	¥ 2,465	¥ 161	¥ -	¥ -	¥ 2,627	¥ -	¥ 2,627

<Information of goodwill by reportable segments>

(For the year ended March 31, 2020)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	¥ 70	¥ 122	¥ 115	¥ 345	¥ 654	¥ -	¥ 654
Goodwill as of March 31	¥ 43	¥ 707	¥ 140	¥ 1,180	¥ 2,072	¥ -	¥ 2,072

	Thousands of U.S. dollars (Note 3)						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	\$ 648	\$ 1,130	\$ 1,065	\$ 3,194	\$ 6,056	\$ -	\$ 6,056
Goodwill as of March 31	\$ 398	\$ 6,546	\$ 1,296	\$ 10,926	\$ 19,185	\$ -	\$ 19,185

(For the year ended March 31, 2019)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	¥ 114	¥ 9	¥ 119	¥ 345	¥ 588	¥ -	¥ 588
Goodwill as of March 31	¥ 133	¥ 830	¥ 261	¥ 1,526	¥ 2,751	¥ -	¥ 2,751

21. Related Party Transactions

1. 1) Transactions of the Company with related companies and others
(For the year ended March 31, 2020)
None.

(For the year ended March 31, 2019)

- a) Officers and major shareholders of the Company (only in the case of individuals), etc.

Type of Related Party	Directors
Name	Tatsuo Teratani
Address	-
Capital	-
Type of business	Director
Voting right share owing (share owned)	Direct 0.0%
Business relationship	Conclusion of engineering guidance contact
Description of transactions	Payment of engineering guidance fee
Amounts of transactions	¥6 million

- b) Transactions of the non-consolidated subsidiaries and affiliates of the Company

Type of Related Party	Non-consolidated subsidiary
Name	Tohoku Access Cable Company
Address	Hachinohe-city Aomori prefecture
Capital	¥20 million
Type of business	Manufacturing
Voting right share owing (share owned)	Direct 100.0%
Business relationship	Supply of raw materials and sales of it's products
Description of transactions	Distribution of residual assets as a result of liquidation
Amounts of transactions	¥349 million

(Note)

Since Tohoku Access Cable Company completed liquidation procedures in December, 2018, the above amounts were transaction amounts of the period when it was a related party and the above voting right share owing (share owned) was at a point of time when it did not correspond to a related party.

In terms of distribution of residual assets due to liquidation, it considered financial condition of the subsidiary and others.

- 2) Transactions of the subsidiaries with related companies and others
(For the year ended March 31, 2020)
None.

(For the year ended March 31, 2019)

Type of Related Party	Directors
Name	Tatsuo Teratani
Address	-
Capital	-
Type of business	Director
Voting right share owing (share owned)	Non-direct 0.0%
Business relationship	Conclusion of engineering guidance
1) Description of transactions	Payment of engineering guidance fee
Amounts of transactions	¥9 million
Accounts	Accrued expense
Year-end balances	-

2. Information on the parent company and significant affiliate companies

(For the years ended March 31, 2020 and 2019)

- 1) Information on the parent company
None.

- 2) Financial statements of a significant affiliate company

A significant affiliate company is UACJ Corporation (hereafter "UACJ").
Summarized aggregate financial statement data of UACJ is as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2020	2019	2020
Total current assets	¥288,919	¥348,291	\$2,675,176
Total non-current assets	¥463,866	¥458,933	\$4,295,056
Total current liabilities	¥264,434	¥273,269	\$2,448,463
Total non-current liabilities	¥285,635	¥327,751	\$2,644,769
Net assets	¥202,716	¥206,204	\$1,877,000
Sales	¥615,150	¥661,330	\$5,695,833
Profit before income taxes	(¥1,622)	¥10,041	(\$15,019)
Profit attributable to owners of parent	¥2,038	¥1,116	\$18,870

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Furukawa Electric Co., Ltd.:

Opinion

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

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

Convenience Translation

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

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

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

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

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

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

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

Deloitte Touche Tokmatsu LLC

June 23, 2020