

NIPPON CHEMI-CON CORPORATION

**REPORT OF CONSOLIDATED
FINANCIAL STATEMENTS**

As of and for the year ended
March 31, 2020

Independent Auditor's Report

The Board of Directors
Nippon Chemi-Con Corporation

Opinion

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

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

Basis for Opinion

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

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

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

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

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



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

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

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

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

We communicate with the Audit & Supervisory Board Member 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.



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

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

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

Convenience Translation


The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 26, 2020

野水善之 

Yoshiyuki Nomizu
Designated Engagement Partner
Certified Public Accountant

島藤章太郎 

Shotaro Shimafuji
Designated Engagement Partner
Certified Public Accountant

FINANCIAL HIGHLIGHTS
NIPPON CHEMI-CON CORPORATION
Five years ended March 31

	Millions of yen except for per share amounts				
	2020	2019	2018	2017	2016
Net sales	¥ 114,599	¥ 140,951	¥ 133,362	¥ 116,311	¥ 118,414
Profit (loss) attributable to owners of the parent company	¥ (5,926)	¥ 917	¥ (16,056)	¥ 840	¥ (6,905)
Profit (loss) per share:					
Basic	¥ (363.96)	¥ 56.36	¥ (985.77)	¥ 51.57	¥ (423.82)
Diluted	¥ -	¥ -	¥ -	¥ -	¥ -
Net assets per share	¥ 2,422.68	¥ 2,921.53	¥ 3,012.97	¥ 3,877.73	¥ 3,834.26

	Thousands of U.S. dollars except for per share amounts				
	2020	2019	2018	2017	2016
Net sales	\$ 1,053,014	1,295,150	1,225,419	1,068,747	1,088,068
Profit (loss) attributable to owners of the parent company	\$ (54,454)	8,432	(147,537)	7,719	(63,451)
Profit (loss) per share:					
Basic	\$ (3.34)	0.52	(9.06)	0.47	(3.89)
Diluted	\$ -				
Net assets per share	\$ 22.26	26.84	27.69	35.63	35.23

- Notes:
1. Basic profit (loss) per share amounts are based on the average number of common shares outstanding during each year.
 2. Net assets per share amounts are based on the number of common shares outstanding at the end of each year.
 3. As we conducted a 10-to-1 share consolidation of its common stock on October 1, 2017, per share amounts have been adjusted as if the share consolidation had been conducted at the start of FY 2016.
 4. U.S. dollar amounts have been translated from yen at the rate of ¥108.83= U.S. \$1, as referred to in Note 1 to the consolidated financial statements.

To Our Stakeholders



Norio Kamiyama

Overview of Operating Results

During the fiscal year ended March 2020, the US economy was firm, but Europe and China trended towards economic slowdown due to the prolongation of the US-China trade friction. The Japanese economy was sluggish as well. In addition to a decline in corporate earnings and capital investments, particularly in the manufacturing industry, the consumption tax rate hike triggered a downturn in consumer spending. Furthermore, since the start of the New Year, the COVID-19 pandemic forced nations around the world to implement measures designed to prevent the spread of the virus, including travel bans and city quarantines. These conditions caused a rapid decline in the global economy.

The market environment surrounding the Nippon Chemi-Con Group saw firm demand in ICT-related markets due to the continued development of 5G (5th generation mobile communications system) base stations but automobile - related markets trended downward due to sluggish automobile sales in China. Industrial robots and other industrial equipment-related markets were also down overall due to a stall in capital investments by companies impacted by the global economic slowdown.

Amid such an operating environment, our Group continued to implement the various policies outlined in our 8th Medium-term Management Plan towards increasing our corporate value. For sales, we continued on policies from last year to focus on sales growth in strategic markets such as the automotive electronics market and the ICT market, which are expected to see long-term growth. Specifically, we began mass production of the HXJ Series of SMD type conductive polymer hybrid aluminum electrolytic capacitors for automotive electronic control units (ECU) and 5G base stations. Additionally, we developed even higher capacitance products to expand the MHS Series of our SMD type aluminum electrolytic capacitors. As for production, the Production System Headquarters, newly established in June, led accelerated initiatives to reduce production costs by conducting a Group-wide analysis of production plant equipment operating status and rapidly implementing improvement measures across the Group.

From the latter part of the first half of the fiscal year, as emergency profit improvement measures, we worked to reduce selling, general and administrative expenses (SGA) by controlling logistics costs and streamlining back-office workflows to constrain human resource costs. We also implemented strategies such as placing a freeze on capital investments. Additionally, in April 2020, we solicited employees to participate in an early retirement program as part of efforts to build “a robust management platform” capable of rapidly addressing changes in the market environment.

Despite the above efforts, the consolidated earnings for the fiscal period were impacted by the stall in corporate capital investments due to the prolongation of the US-China trade friction and the COVID-19 pandemic, which led to stagnant orders received for large-sized aluminum electrolytic capacitors and a decline in operating rates. As a result, net sales were 114,599 million yen (down 18.7% YoY), operating losses were 2,891 million yen (previous FY resulted in an operating income of 5,137 million yen), and ordinary losses were 4,245 million yen (previous FY resulted in an ordinary income of 4,833 million yen). Furthermore, losses attributable to owners of parent were 5,926 million yen (previous FY resulted in profit attributable to owners of parent of 917 million yen) on having recorded extra retirement payments.

Operating Results by Division

Status by business division for FY2019 is as follows.

1. Capacitors (104,582 million yen, 91.2% of total sales)

Division net sales decreased by 17.3% YoY due to a decline in demand for automobile and industrial equipment-related products in the Asia region, particularly in China.

2. Mechanical Parts and Other Parts (3,390 million yen, 3.0% of total sales)

Division net sales decreased by 4.1% YoY due to decreased sales of CMOS camera modules.

3. Capacitor Materials (4,445 million yen, 3.9% of total sales)

Division net sales decreased by 34.8% YoY due to decreased demand for electrode foils for aluminum electrolytic capacitors.

4. Other Products (2,180 million yen, 1.9% of total sales)

Division net sales decreased by 48.1% YoY due to a decreased demand for resale products.

Outlook for Fiscal 2020

Regarding future projections, we expect that the conditions of the business environment in which we operate will continue to be severe. With countries around the world implementing stay-at-home requests, international travel restrictions, and suspensions of sales and production activities due to COVID-19, corporate economic activities, including procurement, production, and shipments, are being severely constrained, and we project a downturn in personal spending and capital investments.

As for our medium- to long-term outlook, we forecast a steady increase in demand for aluminum electrolytic capacitors. In the automotive industry, we are seeing a rapid shift towards electronic control, most notably CASE (Connected, Autonomous, Shared and Services, Electric). In the communications technology sector, we expect increased demand for parts used in communications base stations driven by the full-fledge start of 5G.

Amid such an operating environment, our Group will implement the various policies outlined in our 9th Medium-term Management Plan, which we launched in April 2020, aimed at increasing our corporate value. With uncertainty regarding a short-term recovery in orders received, we must shift into a corporate structure capable of generating profits in a difficult operating environment. During the period of our 9th Medium-term Management Plan, we will engage in various policies designed to achieve the medium-term goal of transforming into a corporate structure capable of adapting flexibly to changes in our operating environment.

For sales, we will continue to focus on sales expansion in strategic markets expected to see long-term growth such as the automotive electronics market and the ICT market. Specifically, we will increase sales by focusing on sales expansion and product development for the hybrid and conductive polymer-type capacitors which we expect will see strong demand in both markets.

Regarding income, we will implement productivity reforms, including the creation of a new production system, to promote initiatives aimed at strengthening our earnings structure. On April 1, 2020, we conducted a joint incorporation-type company split through which the aluminum electrolytic capacitor electrode foil manufacturing operations of our consolidated subsidiaries Chemi-Con Iwate Corp. and Chemi-Con Fukushima Corp. were succeeded by the newly established Chemi-Con East Japan Materials Corp. This split was conducted to rapidly establish specialized operations for the electrode foil business. Furthermore, on the same date, we consolidated Chemi-Con Iwate Corp. and Chemi-Con Fukushima Corp. into Chemi-Con Miyagi Corp., and changed the business name of this

new entity to Chemi-Con East Japan Corp. By establishing centralized management of production sites for aluminum electrolytic capacitors in Japan, we will improve productivity and further reduce costs by standardizing workflows in back office departments.

The Nippon Chemi-Con Group is using legal means to respond to lawsuits brought against the Group and fines assessed by competition authorities in certain countries in relation to our aluminum capacitor transactions.

We apologize to our shareholders for any concerns and inconvenience we have caused. Our Group is united in our efforts to make lasting reforms to our corporate structure, and we ask for your continued support, guidance, and understanding.

June 26, 2020


Norio Kamiyama
President

Consolidated Balance Sheet
As of March 31, 2020

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current assets:			
Cash and deposits (Note 4)	¥ 27,724	¥ 19,011	\$ 254,746
Notes and accounts receivable-trade	22,226	26,587	204,233
Inventories (Note 5)	26,531	27,902	243,784
Accounts receivable-other	3,337	4,266	30,670
Other current assets	569	493	5,231
Less allowance for doubtful accounts	(8)	(6)	(78)
Total current assets	<u>80,380</u>	<u>78,254</u>	<u>738,587</u>
Property, plant and equipment:			
Buildings and structures	40,715	40,067	374,121
Machinery, equipment and others	138,446	137,956	1,272,133
Land	6,902	6,902	63,427
Lease assets	1,675	1,458	15,391
Right-of-use assets	2,607	-	23,962
Construction in progress	1,723	2,543	15,839
Sub total	<u>192,071</u>	<u>188,929</u>	<u>1,764,876</u>
Less accumulated depreciation	<u>(151,557)</u>	<u>(148,394)</u>	<u>(1,392,604)</u>
Property, plant and equipment, net	<u>40,514</u>	<u>40,535</u>	<u>372,271</u>
Intangible fixed assets	1,600	1,247	14,705
Investments and other assets :			
Investment securities (Notes 6 and 14)	14,470	15,665	132,963
Long-term loans receivable	6	6	56
Deferred tax assets (Notes 3 and 8)	1,368	1,340	12,576
Other	1,300	1,260	11,945
Less allowance for doubtful accounts	(25)	(25)	(234)
Total investments and other assets	<u>17,119</u>	<u>18,247</u>	<u>157,307</u>
Total assets	<u>¥ 139,615</u>	<u>¥ 138,284</u>	<u>\$ 1,282,872</u>

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheet
As of March 31, 2020

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Current liabilities:			
Notes and accounts payable-trade	¥ 6,610	¥ 8,321	\$ 60,743
Electronically recorded obligations	5,552	7,114	51,016
Short-term debt (Note 7)	28,471	21,053	261,614
Accounts payable-other	5,415	5,084	49,763
Income taxes payable	604	940	5,558
Accrued expenses	3,907	2,317	35,905
Bonus reserve	1,668	1,901	15,333
Notes payable-equipment	86	244	793
Other current liabilities	430	412	3,959
Total current liabilities	52,748	47,389	484,688
Long-term liabilities:			
Long-term debt (Note 7)	38,059	31,564	349,716
Deferred tax liabilities (Notes 3 and 8)	267	350	2,461
Provision for environmental safety measures	54	57	502
Net defined benefit liability(Note 9)	8,382	9,194	77,027
Other long-term liabilities	319	1,812	2,938
Total long-term liabilities	47,084	42,980	432,645
Total liabilities	99,833	90,370	917,334
Net assets:			
Shareholders' equity			
Common stock			
Authorized 39,613,200 shares issued and outstanding, 16,314,833 shares in 2019 and 16,314,833 shares in 2020	21,526	21,526	197,794
Capital surplus	18,439	18,928	169,434
Retained earnings	2,401	8,327	22,067
Treasury shares (Note 12)	(102)	(100)	(943)
Total shareholders' equity	42,264	48,681	388,353
Accumulated other comprehensive income			
Net unrealized gains on securities	269	831	2,479
Foreign currency translation adjustments	(543)	547	(4,995)
Remeasurements of defined benefit plans	(2,543)	(2,487)	(23,375)
Total accumulated other comprehensive income	(2,817)	(1,108)	(25,892)
Non-controlling interests	334	341	3,076
Total net assets	39,781	47,914	365,538
Total liabilities and net assets	¥ 139,615	¥ 138,284	\$ 1,282,872

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Operations
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	¥ 114,599	¥ 140,951	\$ 1,053,014
Cost of sales	96,794	114,256	889,129
Gross profit	17,835	26,694	163,884
Selling, general and administrative expenses (Notes 15 and 16)	20,727	21,557	190,456
Operating income (loss)	(2,891)	5,137	(26,572)
Non-operating income:			
Interest income	38	37	357
Dividend income	126	134	1,162
Equity in earnings of affiliated companies	268	510	2,464
Other	36	41	337
Total non-operating income	470	724	4,322
Non-operating expenses:			
Interest expenses	722	669	6,638
Financing expenses	565	15	5,196
Foreign exchange losses	502	299	4,618
Other	33	44	306
Total non-operating expenses	1,824	1,028	16,760
Ordinary income (loss)	(4,245)	4,833	(39,010)
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 17)	3	3	35
Gain on sales of investment securities	-	192	-
Total extraordinary income	3	195	35
Extraordinary loss:			
Loss on disposal of property, plant and equipment (Note 18)	7	32	65
Extra retirement payments	845	-	7,771
Loss related to Antitrust laws	79	2,733	728
Total extraordinary loss	932	2,766	8,566
Profit (loss) before income taxes	(5,173)	2,263	(47,541)
Income taxes (Note 8):			
Current	612	1,448	5,630
Deferred	132	(73)	1,220
	745	1,374	6,851
Profit (loss)	(5,919)	888	(54,392)
Profit (loss) attributable to non-controlling interests	6	(29)	61
Profit (loss) attributable to owners of parent	¥ (5,926)	¥ 917	\$ (54,454)
Profit (loss) per share:	Yen		U.S. dollars (Note 1)
	2020	2019	2020
Basic	¥ (363.96)	¥ 56.36	\$ (3.34)
Diluted	-	-	-
Cash dividends per share (Note 20)	-	30.00	-

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Comprehensive Income
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit (loss)	¥ (5,919)	¥ 888	\$ (54,392)
Other comprehensive income			
Net unrealized holding gains (losses) on securities	(552)	(876)	(5,078)
Foreign currency translation adjustments	(1,042)	(842)	(9,578)
Remeasurements of defined benefit plans	(65)	(115)	(599)
Share in other comprehensive income of affiliated companies accounted for using the equity method	(62)	(54)	(570)
Total other comprehensive income	(1,722)	(1,888)	(15,826)
Comprehensive income	¥ (7,641)	¥ (999)	\$ (70,219)
Attributable to:			
Owners of parent	(7,635)	(1,000)	(70,157)
Non-controlling interests	(6)	0	(61)

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2020

For the Year Ended March 31, 2020

	Shareholders' equity (Note 11)				
	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2019	¥ 21,526	¥ 18,928	¥ 8,327	¥ (100)	¥ 48,681
Changes of items during year					
Cash dividends paid		(488)			(488)
Profit (loss) attributable to owners of parent			(5,926)		(5,926)
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(488)	(5,926)	(2)	(6,417)
Balance as of March 31, 2020	¥ 21,526	¥ 18,439	¥ 2,401	¥ (102)	¥ 42,264

	Accumulated other comprehensive income (Note 19)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	¥ 831	¥ 547	¥ (2,487)	¥ (1,108)	¥ 341	¥ 47,914
Changes of items during year						
Cash dividends paid						(488)
Profit (loss) attributable to owners of parent						(5,926)
Purchase of treasury shares						(2)
Net changes of items other than shareholders' equity	(561)	(1,091)	(56)	(1,708)	(6)	(1,715)
Total changes of items during year	(561)	(1,091)	(56)	(1,708)	(6)	(8,132)
Balance as of March 31, 2020	¥ 269	¥ (543)	¥ (2,543)	¥ (2,817)	¥ 334	¥ 39,781

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2020

	Shareholders' equity (Note 11)				
	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital Surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2019	\$ 197,794	\$ 173,923	\$ 76,521	\$ (920)	\$ 447,319
Changes of items during year					
Cash dividends paid		(4,488)			(4,488)
Profit (loss) attributable to owners of parent			(54,454)		(54,454)
Purchase of treasury shares				(23)	(23)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(4,488)	(54,454)	(23)	(58,966)
Balance as of March 31, 2020	\$ 197,794	\$ 169,434	\$ 22,067	\$ (943)	\$ 388,353

	Accumulated other comprehensive income (Note 19)					
	Thousands of U.S. dollars (Note 1)					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$ 7,636	\$ 5,029	\$ (22,854)	\$ (10,189)	\$ 3,138	\$ 440,269
Changes of items during year						
Cash dividends paid						(4,488)
Profit (loss) attributable to owners of parent						(54,454)
Purchase of treasury shares						(23)
Net changes of items other than shareholders' equity	(5,156)	(10,024)	(521)	(15,702)	(61)	(15,764)
Total changes of items during year	(5,156)	(10,024)	(521)	(15,702)	(61)	(74,731)
Balance as of March 31, 2020	\$ 2,479	\$ (4,995)	\$ (23,375)	\$ (25,892)	\$ 3,076	\$ 365,538

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2020

For the Year Ended March 31, 2019

	Shareholders' equity (Note 11)				
	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2018	¥ 21,526	¥ 28,079	¥ (1,252)	¥ (92)	¥ 48,260
Changes of items during year					
Deficit disposition		(8,662)	8,662		-
Cash dividends paid		(488)			(488)
Profit (loss) attributable to owners of parent			917		917
Purchase of treasury shares				(7)	(7)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(9,151)	9,580	(7)	421
Balance as of March 31, 2019	¥ 21,526	¥ 18,928	¥ 8,327	¥ (100)	¥ 48,681

	Accumulated other comprehensive income (Note 19)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥ 1,692	¥ 1,483	¥ (2,366)	¥ 809	¥ 341	¥ 49,410
Changes of items during year						
Deficit disposition						-
Cash dividends paid						(488)
Profit (loss) attributable to owners of parent						917
Purchase of treasury shares						(7)
Net changes of items other than shareholders' equity	(861)	(935)	(121)	(1,918)	0	(1,917)
Total changes of items during year	(861)	(935)	(121)	(1,918)	0	(1,496)
Balance as of March 31, 2019	¥ 831	¥ 547	¥ (2,487)	¥ (1,108)	¥ 341	¥ 47,914

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Cash Flows
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (5,173)	¥ 2,263	\$ (47,541)
Depreciation and amortization	7,716	7,024	70,901
Loss related to Antitrust laws	79	2,733	728
(Decrease) increase in net defined benefit liability	(56)	(204)	(517)
(Decrease) increase in allowance for doubtful accounts	2	(11)	19
(Decrease) increase in provision for environmental safety measures	(3)	(76)	(29)
Interest and dividend income	(165)	(171)	(1,520)
Interest expenses	722	669	6,638
Foreign exchange loss (gain)	(9)	(6)	(85)
Equity in earnings of affiliated companies	(268)	(510)	(2,464)
Loss (gain) on disposal of property, plant and equipment, net	3	29	30
Loss (gain) on sales of investment securities	-	(192)	-
(Increase) decrease in notes and accounts receivable	4,104	2,411	37,710
(Increase) decrease in inventories	1,005	(4,904)	9,241
(Decrease) increase in notes and accounts payable	(2,940)	(1,618)	(27,020)
(Decrease) increase in accounts payable – other	(318)	63	(2,923)
Other	1,882	1,748	17,298
Sub total	<u>6,580</u>	<u>9,246</u>	<u>60,465</u>
Interest and dividends received	328	334	3,022
Interest paid	(701)	(682)	(6,443)
Income taxes paid	(900)	(1,246)	(8,278)
Payments related to antitrust law	(1,381)	(21,508)	(12,697)
Net cash provided by (used in) operating activities	<u>3,925</u>	<u>(13,856)</u>	<u>36,069</u>
Cash flows from investing activities:			
Decrease in time deposit	-	51	-
Purchase of property, plant and equipment	(5,036)	(8,920)	(46,281)
Proceeds from sales of property, plant and equipment	9	3	85
Purchase of intangible fixed assets	(618)	(384)	(5,684)
Proceeds from sales of investment securities	-	367	-
Proceeds from sales of investments in affiliated companies	-	38	-
Payments of loans receivable	(14)	(19)	(129)
Collections of loans receivable	18	22	169
Other	194	69	1,789
Net cash provided by (used in) investing activities	<u>(5,447)</u>	<u>(8,771)</u>	<u>(50,051)</u>
Cash flows from financing activities:			
Net increase (decrease) in short-term debt	3,014	14,573	27,701
Proceeds from long-term debt	10,000	14,500	91,886
Repayments of long-term debt	(2,362)	(12,284)	(21,704)
Purchase of treasury shares	(2)	(7)	(23)
Repayments of lease obligations	(688)	(167)	(6,322)
Proceeds from sale and leaseback	1,004	1,003	9,231
Cash dividends paid	(488)	(488)	(4,488)
Net cash provided by (used in) financing activities	<u>10,478</u>	<u>17,128</u>	<u>96,280</u>
Effect of exchange rate changes on cash and cash equivalents	(243)	(129)	(2,240)
Net increase (decrease) in cash and cash equivalents	<u>8,712</u>	<u>(5,628)</u>	<u>80,057</u>
Cash and cash equivalents at beginning of year	<u>19,005</u>	<u>24,634</u>	<u>174,638</u>
Cash and cash equivalents at end of year (Note 4)	<u>¥ 27,718</u>	<u>¥ 19,005</u>	<u>\$ 254,696</u>

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nippon Chemi-Con Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥108.83= U.S. \$1, the rate of exchange on March 31, 2020 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rates.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts presented in millions of yen are rounded down to the nearest complete million yen. The U.S. dollar amounts shown are equivalent to the Japanese yen amounts as rounded, translated at the rate stated above and then rounded down to the nearest complete thousand dollars.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, all of its subsidiaries. The accounts of certain subsidiaries are included in the consolidated financial statements on the basis of a December 31 fiscal year end. These financial statements are prepared in conformity with financial accounting standards in Japan which require elimination of intercompany accounts and transactions.

The number of consolidated subsidiaries and an affiliated company is as follows:

	2020
Consolidated subsidiaries	23
Affiliated company	1

Investments in all affiliated companies, with minor exceptions, are stated at their underlying equity value.

(2) Financial Instruments

1) Securities

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in the net profit or loss for the period.

The cost of securities sold is determined by the moving average method.

2) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. However, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is, as permitted under the "Accounting Standard for Financial Instruments", added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(3) Inventories

Merchandise and supplies are stated at cost, determined by the last purchase price method, but written down based on the declines in profitability.

Inventories other than merchandise and supplies are stated at cost, but written down based on the declines in profitability. In determining cost, either the total average method or the first-in, first-out method for finished goods and work in process, and either the first-in first-out method or the last purchase price method for raw materials are used.

(4) Depreciation

Depreciation for property, plant and equipment (except for lease assets and right-of-use assets) is computed primarily using the declining-balance method over the estimated useful lives of the assets. Buildings owned by the Company and its domestic subsidiaries (excluding facilities attached to buildings) and both facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated or amortized on the straight-line method.

Finance lease assets that transfer ownership are depreciated or amortized as the same method as property, plant and equipment is adopted. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Right-of-use assets are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

(5) Allowance for Doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using a percentage of their own actual experience of bad debt loss against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Bonus Reserve

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries provide for estimated bonus payments attributable to the services provided by the employees during the year.

(7) Provision for Environmental Safety Measures

In accordance with the “Law Concerning Special Measures for Promotion of Proper Treatment of Poly Chlorinated Biphenyl Waste (PCB Waste),” the Company provides the estimated amount which will be required at the balance sheet date for the disposal of PCB Waste that will be generated through the Company’s operations.

(8) Retirement benefit

The retirement benefit obligations for employees are attributed to each period by the benefit formula method.

Prior service costs are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year in which they arise. Actuarial differences are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year following the year in which they arise.

Unrecognized prior service costs and unrecognized actuarial differences are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after the tax effect adjustment.

(9) Significant hedge accounting

1) Hedge accounting

The Interest swap agreements meeting the requirements for exceptional accounting method are accounted for using the exceptional accounting method.

2) Hedging instruments and hedged items

Hedging instruments

Interest swap

Hedged items

Interest of loans

3) Hedge policy

The Company and its consolidated subsidiaries enter into interest swap agreements to hedge risks from fluctuation in interest rate of loans. The hedged items are assessed for each agreement.

4) Assessment of hedge effectiveness

Assessment of hedge effectiveness of interest swap agreements are omitted as permitted under the exceptional accounting method.

(10) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net profit or loss for the period.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in the yen amounts, arising from the use of different rates, are presented as "Foreign currency translation adjustments" in Net Assets and Other comprehensive income.

(11) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Company and its wholly-owned domestic subsidiaries adopt the Japanese consolidated taxation system. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets, liabilities and those as reported in the consolidated financial statements.

(12) Consumption taxes

Consumption taxes are excluded from presentation of sales, cost of sales, income and expenses.

(13) Profit and Cash dividends per Share

Basic Profit per share is based on the average number of common shares outstanding during each year.

Cash dividends per share shown for each year in the accompanying Consolidated Statements of Operations represents dividends approved by shareholders for the respective years.

(14) Research and Development Expense and Computer Software

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

(15) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits which can be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

3. Changes in accounting policies

(Adoption of International Financial Reporting Standards (IFRS) 16 “Leases”)

Some of the foreign subsidiaries adopted IFRS16 “Leases” effective from April 1, 2019. Those subsidiaries adopted the standard under the modified retrospective approach and recognized the cumulative effect of adopting the new standard at the date of initial adoption in accordance with transitional measures.

As a result, “Right-of-use assets” under “Property plant and equipment” increased by ¥2,284 million, “Short-term debt” under “Current liabilities” increased by ¥297 million and “Long-term debt” under “Long-term liabilities” increased by ¥2,028 million on the consolidated balance sheet.

The effect of the adoption on the consolidated statement of operations for the year ended March 31, 2020 was not material.

4. Additional information

(Accounting estimates associated with the spread of COVID-19)

Many countries around the world responded to the COVID-19 pandemic through containment measures including stay-at-home requests, international travel restrictions, and suspensions of sales and production activities. As a result, corporate economic activities, such as procurement, production, and shipments, have been severely disrupted.

As it is difficult to reasonably predict when the COVID-19 pandemic will end, the current accounting estimates in the consolidated financial statements, including determination of the recoverability of deferred tax assets, reflected the impact of the pandemic based on the assumption that it will continue to have an impact for the first half of the fiscal year ending March 31 2021.

5. Cash and cash equivalents

Reconciliation of cash and cash equivalents to the amount presented on the balance sheets at March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash and deposits	¥ 27,724	¥ 19,011	\$ 254,746
Time deposits with a deposit term of over 3 months	(5)	(5)	(49)
Cash and cash equivalents	¥ 27,718	¥ 19,005	\$ 254,696

6. Inventories

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Finished goods and merchandise	¥ 11,505	¥ 12,644	\$ 105,720
Work-in-process	10,311	9,652	94,748
Raw materials and supplies	4,713	5,605	43,314
Total	¥ 26,531	¥ 27,902	\$ 243,784

7. Investment securities

At March 31, 2020 and 2019, the acquisition cost, fair value and unrealized gains or losses of investment securities, whose fair value is available, are as follows:

	Millions of yen							
	2020				2019			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:								
Equity securities	¥ 2,225	¥ 591	¥ 348	¥ 2,468	¥ 2,225	¥ 1,214	¥ 174	¥ 3,264
Total	¥ 2,225	¥ 591	¥ 348	¥ 2,468	¥ 2,225	¥ 1,214	¥ 174	¥ 3,264

Thousands of U.S. dollars (Note 1)

	2020			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:				
Equity securities	\$ 20,449	\$ 5,434	\$ 3,204	\$ 22,678
Total	\$ 20,449	\$ 5,434	\$ 3,204	\$ 22,678

8. Short-term and long-term debt

The weighted average interest rates applicable to loans for the years ended March 31, 2020 and 2019 are 1.11% and 1.29%, respectively.

Short-term debt at March 31, 2020 and 2019 comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Bank loans and overdrafts	¥ 21,294	¥ 18,340	\$ 195,665
Current portion of long-term debt	6,257	2,362	57,496
Lease obligations (Short-term)	919	351	8,452
Total	¥ 28,471	¥ 21,053	\$ 261,614

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Loans:			
Loans, principally from banks and insurance companies due from 2020 to 2026 with interest rates ranging from 0.35% to 5.20%	¥ 39,969	¥ 32,363	\$ 367,266
Lease obligations (Long-term)	4,347	1,563	39,945
	44,316	33,927	407,212
Less: current portion	(6,257)	(2,362)	(57,496)
Total	¥ 38,059	¥ 31,564	\$ 349,716

Note: The Company has a syndicate loan contract, a term loan contract and a commitment line with financial institutions. These contracts include financial covenants that are computed based on the consolidated balance sheet, etc.

9. Income Taxes

The Company is subject to various taxes based on income which, in aggregate, resulted in a statutory tax rate of approximately 30.62 % for the year ended March 31, 2020.

Significant components of deferred tax assets and liabilities as at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Deferred tax assets:			
Bonus reserve	¥ 458	¥ 522	\$ 4,215
Net defined benefit liability	2,342	2,728	21,522
Tax loss carryforwards	7,257	6,100	66,691
Unrealized gain on inventories	105	106	965
Loss on devaluation of inventories	135	98	1,242
Accrued expenses	648	124	5,960
Accounts payable-other	256	-	2,358
Other	567	566	5,211
Total gross deferred tax assets	11,771	10,246	108,167
Valuation allowance for tax loss carryforwards ²	(7,257)	(5,826)	(66,691)
Valuation allowance for total deductible temporary differences	(2,856)	(2,466)	(26,249)
Subtotal of valuation allowance ¹	(10,114)	(8,293)	(92,940)
Total deferred tax assets	1,657	1,952	15,226
Deferred tax liabilities:			
Net unrealized gains on securities	(74)	(318)	(682)
Depreciation recorded by foreign subsidiaries	(325)	(466)	(2,990)
Other	(156)	(178)	(1,437)
Total deferred tax liabilities	(556)	(963)	(5,110)
Net deferred tax assets	¥ 1,100	¥ 989	\$ 10,115

Notes: 1. Valuation allowance increased by ¥1,821 million from the end of the previous fiscal year. The main reason for the change is an increase in valuation allowance for tax loss carryforwards of ¥1,431 million.

2. Amounts of tax loss carryforward and related deferred tax assets by expiry date as of March 31, 2020 and 2019 are as follows:

Millions of yen							
2020							
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	¥ 1,907	¥ 2,193	¥ 1,223	¥ 16	¥ 2	¥ 1,914	¥ 7,257
Valuation allowance	¥ 1,907	¥ 2,193	¥ 1,223	¥ 16	¥ 2	¥ 1,914	¥ 7,257
Deferred tax assets(*)	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -

Thousands of U.S. dollars (Note 1)							
2020							
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	\$ 17,524	\$ 20,157	\$ 11,245	\$ 148	\$ 26	\$ 17,589	\$ 66,691
Valuation allowance	\$ 17,524	\$ 20,157	\$ 11,245	\$ 148	\$ 26	\$ 17,589	\$ 66,691
Deferred tax assets(*)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Millions of yen							
2019							
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	¥ 163	¥ 1,912	¥ 2,196	¥ 1,225	¥ 15	¥ 587	¥ 6,100
Valuation allowance	¥ 10	¥ 1,819	¥ 2,196	¥ 1,224	¥ 15	¥ 560	¥ 5,826
Deferred tax assets(*)	¥ 153	¥ 92	¥ -	¥ 0	¥ -	¥ 27	¥ 273

(*): The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

For the year ended March 31, 2020, the reconciliation between the statutory tax rate and the effective income tax rate is as follows:

	2020	2019
Statutory tax rate	- %	30.62 %
Increase (decrease) in taxes resulting from:		
Expenses not deductible for income tax purposes	-	39.93
Capita levy on inhabitant tax	-	1.86
Overseas withholding taxes	-	4.83
Nontaxable dividend income	-	(39.23)
Change in the valuation allowance	-	(8.56)
Difference in subsidiaries' tax rates	-	(17.82)
Effect of eliminated dividend income	-	45.75
Other	-	3.36
Effective income tax rate	- %	60.74 %

Due to the recording of a loss before income taxes, a reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2020 has been omitted.

10. Retirement Benefit Plan

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have defined benefit plans which consist of defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

In addition, in certain cases, the Company pays special retirement allowances to retiring employees, which are not covered by employee retirement regulations.

The changes in the defined benefit obligation for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Balance at the beginning of the year	¥ 27,364	¥ 27,539	\$ 251,444
Service cost	978	1,003	8,991
Interest cost	178	171	1,636
Actuarial loss	236	10	2,171
Retirement benefit paid	(1,253)	(1,343)	(11,520)
Transfer to Account payable-other	(833)	-	(7,655)
Other	(160)	(16)	(1,471)
Balance at the end of the year	¥ 26,510	¥ 27,364	\$ 243,595

The changes in the plan assets for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Balance at the beginning of the year	¥ 18,170	¥ 18,266	\$ 166,958
Expected return on plan assets	227	229	2,087
Actuarial loss	(188)	(395)	(1,731)
Contributions by the company	625	821	5,744
Retirement benefit paid	(700)	(741)	(6,432)
Other	(6)	(10)	(59)
Balance at the end of the year	¥ 18,127	¥ 18,170	\$ 166,567

The reconciliations of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefit recognized in the consolidated balance sheets as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Funded defined benefit obligations	¥ 17,517	¥ 17,539	\$ 160,964
Pension assets	(18,127)	(18,170)	(166,567)
	(609)	(630)	(5,602)
Unfunded defined benefit obligations	8,992	9,825	82,630
Net amount of liabilities and assets in consolidated balance sheet	8,382	9,194	77,027
Net defined benefit liability	8,382	9,194	77,027
Net amount of liabilities and assets in consolidated balance sheet	¥ 8,382	¥ 9,194	\$ 77,027

Note: Certain domestic consolidated subsidiaries calculate the defined benefit obligations using the simplified method in calculating of defined benefit obligation.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Service cost	¥ 978	¥ 1,003	\$ 8,991
Interest cost	178	171	1,636
Expected return on plan assets	(227)	(229)	(2,087)
Amortization of unrecognized actuarial loss	501	476	4,607
Amortization of prior service cost	(152)	(152)	(1,402)
Retirement benefit expense	¥ 1,278	¥ 1,269	\$ 11,745

The breakdown of items in other comprehensive income before tax effect for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Actuarial loss	¥ (76)	¥ (70)	\$ (704)
Prior service cost	152	152	1,402
Total	¥ 75	¥ 81	\$ 698

The breakdown of items in accumulated other comprehensive income before tax effect as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrecognized actuarial loss	¥ 2,660	¥ 2,747	\$ 24,442
Unrecognized prior service cost	(58)	(211)	(536)
Total	¥ 2,601	¥ 2,536	\$ 23,906

The breakdown of pension assets by major category as of March 31, 2020 and 2019 are as follows:

	2020	2019
Equity securities	35%	31%
General account	22%	22%
Alternatives	14%	17%
Bonds	27%	28%
Other	2%	2%
Total	100%	100%

- Notes: 1. Alternatives mainly consisted of investments in hedge funds.
2. The total of plan assets includes employee pension trusts for the benefit pension plans, which accounts for 12% of the total as of March 31, 2020 and 9% as of March 31, 2019.

The items of actuarial assumptions as of March 31, 2020 and 2019 are as follows (The discount rate is shown as weighted average.):

	2020	2019
Discount rate	Primarily 0.3%	Primarily 0.3%
Expected rate of long-term return on plan assets	Primarily 1.25%	Primarily 1.25%

The amounts paid to the defined contribution pension plans for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Defined contribution pension plans	¥ 200	¥ 212	\$ 1,839

11. Derivatives

The Company and its consolidated subsidiaries selectively engage in derivative financial instrument transactions in order to manage the market risks from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

(1) Derivative transactions to which hedge accounting is not applied

1) Currency-related transactions

	Millions of yen					
	March 31, 2020			March 31, 2019		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts						
Sell:						
US\$	¥ 5,742	¥ 102	¥ 102	¥ 2,876	¥ 14	¥ 14
Euro	933	14	14	-	-	-
Won	55	(0)	(0)	55	0	0
	¥ 6,731	¥ 116	¥ 116	¥ 2,931	¥ 14	¥ 14

	Thousands of U.S. dollars (Note 1)		
	March 31, 2020		
	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts			
Sell:			
US\$	\$ 52,769	\$ 944	\$ 944
Euro	8,575	130	130
Won	505	(4)	(4)
	\$ 61,850	\$ 1,070	\$ 1,070

2) Interest-related transactions

None

(2) Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

None

2) Interest-related transactions

			Millions of yen					
			March 31, 2020			March 31, 2019		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	26,788	23,700	(*)	22,620	22,620	(*)

			Thousands of U.S. dollars (Note 1)					
			March 31, 2020					
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value			
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	246,153	217,770	(*)			

(*) Fair value of interest rate swaps by exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

12. Shareholders' equity

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

13. Treasury shares

A reconciliation of the beginning and ending amount of treasury shares is as follows:

	2019	Increase during the year	Decrease during the year	2020
Number of shares	31,274	1,343	-	32,617
Total price (Millions of yen)	¥ 100	¥ 2	-	¥ 102
Total price (Thousands of U.S. dollars) (Note 1)	\$ 920	\$ 23	-	\$ 943

14. Pledged assets

There are no pledged assets.

15. Related party transactions

Samyoung Electronics Co., Ltd. (Samyoung) is a 33.4%-owned affiliated company of the Company. The Company principally purchases Samyoung's products and the Company sells its products and materials.

Transaction's terms and policy

- (1) Purchase prices of Samyoung's products are determined in consideration of the market prices and total costs.
- (2) Sales prices of materials for capacitors and equipment are determined in consideration of the market prices and total costs.
- (3) The transaction prices of materials supplied to Samyoung are determined in consideration of the market prices and total costs.

Significant balances at March 31, 2020 and 2019 and transactions for the years ended March 31, 2020 and 2019 with related parties are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2020	2019	2020	
Investment securities	¥ 11,906	¥ 12,304	\$	109,401

	Millions of yen					
	2020			2019		
	Transaction amount	Account Title	Balance at end of year	Transaction amount	Account title	Balance at end of year
Purchase of affiliates' products	¥ 3,908	Accounts payable	¥ 231	¥ 7,106	Accounts payable	¥ 335
Sales of materials and equipment	432	Accounts receivable -trade	28	794	Accounts receivable -trade	12
Supply of materials	¥ 1,518	Accounts receivable -other	¥ 102	¥ 2,495	Accounts receivable -other	¥ 98

	Thousands of U.S. dollars (Note 1)		
	2020		
	Transaction amount	Account Title	Balance at end of year
Purchase of affiliates' products	\$ 35,913	Accounts payable	\$ 2,129
Sales of materials and equipment	3,974	Accounts receivable -trade	258
Supply of materials	\$ 13,953	Accounts receivable - other	\$ 940

Condensed financial information of the significant affiliated companies, for which the equity method is applied, as of March 31, 2020 and 2019, and for the years then ended, is follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2020	2019	2020	
Total current assets	¥ 30,673	¥ 32,271	\$	281,847
Total fixed assets	17,081	18,023		156,954
Total current liabilities	1,555	2,513		14,296
Total long-term liabilities	181	214		1,668
Total net assets	46,017	47,566		422,836
Net sales	18,889	25,217		173,573
Profit before income taxes	1,068	2,025		9,822
Net profit	804	1,528		7,388

16. Selling, general and administrative expenses

The following are the major components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Freight and transportation	¥ 2,938	¥ 3,954	\$ 26,997
Salaries and wages	4,362	4,560	40,083
Provision for bonus reserve	789	903	7,255
Retirement benefit expenses	466	473	4,282
Depreciation	996	598	9,152
Research and development expenses	4,161	4,288	38,235
Commission expenses	2,152	1,172	19,780

17. Research and Development expenses

The total amounts of research and development expenses for the years ended March 31, 2020 and 2019 are as follows and all of them are charged to income as incurred.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Research and development expenses	¥ 4,161	¥ 4,288	\$ 38,235

18. Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Machinery, equipment and others	¥ 3	¥ 3	\$ 35
Total	¥ 3	¥ 3	\$ 35

19. Loss on disposal of property, plant and equipment

Loss on retirement of property, plant and equipment for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Buildings and structures	¥ 0	¥ 1	\$ 2
Machinery, equipment and others	6	31	63
Total	¥ 7	¥ 32	\$ 65

20. Other comprehensive income

For the years ended March 31, 2020 and 2019, other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net unrealized holding gains on securities			
Amount arising during the year	¥ (796)	¥ (1,070)	\$ (7,319)
Reclassification adjustments	-	(192)	-
Before deferred tax adjustments	(796)	(1,262)	(7,319)
Deferred tax amounts	243	386	2,241
Net unrealized holding gains on securities	(552)	(876)	(5,078)
Foreign currency translation adjustments			
Amount arising during the year	(1,042)	(842)	(9,578)
Foreign currency translation adjustments	(1,042)	(842)	(9,578)
Remeasurements of defined benefit plans			
Amount arising during the year	(424)	(406)	(3,902)
Reclassification adjustments	348	324	3,204
Before deferred tax adjustments	(75)	(81)	(698)
Deferred tax amounts	10	(33)	98
Remeasurements of defined benefit plans	(65)	(115)	(599)
Share in other comprehensive income of affiliated companies accounted for using the equity method			
Amount arising during the year	(62)	(54)	(570)
Share in other comprehensive income of affiliated companies accounted for using the equity method	(62)	(54)	(570)
Total other comprehensive income	¥ (1,722)	¥ (1,888)	\$ (15,826)

21. Dividends

(1) Year ended March 31, 2020

1) Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2019	Common stock	¥ 488	\$ 4,489	Capital surplus	¥ 30.00	\$ 0.28	March 31, 2019	June 28, 2019

2) Dividends for which the record date came during the year ended March 31, 2020, and the effective date is after said period.

None

(2) Year ended March 31, 2019

1) Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2018	Common stock	¥ 488	\$ 4,489	Capital surplus	¥ 30.00	\$ 0.28	March 31, 2018	June 29, 2018

2) Dividends for which the record date came during the year ended March 31, 2019, and the effective date is after said period.

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2019	Common stock	¥ 488	\$ 4,489	Capital surplus	¥ 30.00	\$ 0.28	March 31, 2019	June 28, 2019

22. Financial instruments

(1) Status of financial instruments

1) Policies for financial instruments

The Company and its consolidated subsidiaries invest only in short-term deposits and raise funds from bank borrowings, issuance of corporate bonds and equity securities. The Company and certain consolidated subsidiaries use derivative financial instruments for the purpose of reducing risks of fluctuations in exchange rates and interest rates.

2) Details of financial instruments and related risk

Trade receivables are exposed to the credit risk of customers. In addition, trade receivables denominated in foreign currencies generated by worldwide operations are exposed to the risk of exchange rate fluctuations. This risk is hedged by using forward exchange contracts for, in principle, the net position after offsetting trade receivables denominated in foreign currencies with trade payables denominated in foreign currencies. Investments in securities, which primarily consist of shares of the companies with which the Companies have operational relationships, are exposed to market volatility risk. Trade payables are mostly due within one year.

Short-term and long-term debt are used for the Company's operation and capital expenditure. Variable interest rate loans are exposed to the risk of interest rate fluctuations. Interest rate swap transactions are used as hedges to fix interest expenses for a portion of long-term variable interest rate debts.

Trade payable, account payables – other and debts are exposed to liquidity risk.

Derivative transactions primarily consist of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and payables denominated in foreign currencies.

3) Risk management of financial instruments

i) Management of credit risk (customers or counterparties' default risk)

The credit risk monitoring activities of the Company and its consolidated subsidiaries include review of overdue and balance amounts of each customer as well as review of credit worthiness of major customers on a regular basis in accordance with the sales credit management regulation etc.

The Company enters into derivative transaction with highly rated financial institutions to reduce counterparty risk.

ii) Management of market risk (risks of fluctuations in foreign currency exchange rates and interest rates)

The Company hedges against risks of fluctuations in foreign currency exchange rates related to trade receivables and payables denominated in foreign currencies by entering into foreign exchange forward contracts with contract periods generally not more than half year.

The Company enters into the interest swap contract to mitigate the risk of interest rate fluctuations on debts.

With respect to investments in securities, the Company assesses the fair value and financial status of the issuing entities (transaction partner) at each quarter, and periodically reviews the necessity of such securities, taking into account the Company's relationship with respective transaction partners.

The Company enters into and manages the derivative transactions in accordance with internal rules stipulating authorization and maximum limits of transactions. The accounting division makes journal entries and performs direct confirmation of transaction balances with counterparties.

iii) Management of liquidity risk in financing activities (the risk that the Company may not be able to meet its obligations on scheduled due dates)

The Company manages the liquidity risk by preparing the financial plans on a semiannual and monthly basis, and by entering into commitment line agreements with transacting financial institutions.

4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, or, if there are no market prices, based on reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices. The notional amount of derivatives that are shown in Note 10. "Derivatives" does not represent the amounts exchanged by the parties and do not measure the Company's exposure to market risk.

5) Concentration of credit risk

There is no operating credit for a specific large customer as of the consolidated balance sheet date.

(2) Fair value of financial instruments

The carrying amounts recognized on the consolidated balance sheets, fair values and the differences between them at March 31, 2020 and 2019 are as shown below. Financial instruments for which it is extremely difficult to determine the fair value is not included in the following table. Refer to “Note 2. Summary of Significant Accounting Policies”.

	Millions of yen					
	March 31, 2020			March 31, 2019		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
1) Cash and deposits	¥ 27,724	27,724	¥ -	¥ 19,011	¥ 19,011	¥ -
2) Notes and accounts receivable-trade	22,226	22,226	-	26,587	26,587	-
3) Investment securities						
i) Investments in securities	2,468	2,468	-	3,264	3,264	-
ii) Investments in stock of subsidiaries and affiliates	11,820	4,165	(7,654)	12,218	7,888	(4,329)
Total assets	¥ 64,238	56,583	¥ (7,654)	¥ 61,081	¥ 56,751	¥ (4,329)
1) Short-term debt (Except for lease obligations)	27,551	27,551	-	20,702	20,702	-
2) Long-term debt (Except for lease obligations)	33,712	33,608	(104)	30,001	30,078	77
Total liabilities	¥ 61,263	61,159	¥ (104)	¥ 50,703	¥ 50,781	¥ 77
Derivative transactions	¥ 116	116	¥ -	¥ 14	¥ 14	¥ -

	Thousands of U.S. dollars (Note 1)		
	March 31, 2020		
	Carrying amount	Fair value	Difference
1) Cash and deposits	\$ 254,746	\$ 254,746	\$ -
2) Notes and accounts receivable-trade	204,233	204,233	-
3) Investment securities			
i) Investments in securities	22,678	22,678	-
ii) Investments in stock of subsidiaries and affiliates	108,609	38,270	(70,338)
Total assets	\$ 590,268	\$ 519,929	\$ (70,338)
1) Notes and accounts payable-trade	\$ 60,743	\$ 60,743	\$ -
2) Electronically recorded obligations	51,016	51,016	-
3) Short-term debt (Except for lease obligations)	253,161	253,161	-
4) Long-term debt (Except for lease obligations)	309,770	308,813	(956)
Total liabilities	\$ 674,691	\$ 673,735	\$ (956)
Derivative transactions	\$ 137	\$ 137	\$ -

The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

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

Assets:

1) Cash and deposits and 2) Notes and accounts receivable-trade

As the book values cash and deposits and Notes and accounts receivable-trade approximate fair value due to their short maturity, the corresponding book values are used as fair value.

3) Investment securities

The fair values of investment securities are based on quoted market prices of stock exchanges.

Liabilities:

1) Notes and accounts payable-trade and 2) Electronically recorded obligation

As the book values of Notes and accounts payable-trade and Electronically recorded obligation approximate fair values due to their short maturity, the corresponding book values are used as their fair values.

3) Short-term debt (Except for lease obligations)

The fair value of current portion of long-term debt is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.

As a result, the book value is used as fair value as the book value approximates fair value due to the short maturity.

The fair value of short-term debt except for current portion of long-term debt is recorded at book value as the book value approximates the fair value due to the short maturity.

4) Long-term debt (Except for lease obligations)

The fair value of long-term debt is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.

Derivative transactions

Refer to "Note 10. Derivatives".

Note 2: Financial instruments of which fair value is extremely difficult to determine

	Consolidated balance sheet				Thousands of U.S. dollars (Note 1)	
	Millions of yen				2020	
	2020		2019			
Unlisted shares	¥	182	¥	182	\$	1,674

These items are excluded from “3) Investment securities” since there are no quoted market prices and it is extremely difficult to determine the fair value of such items.

Note 3: Monetary claims at March 31, 2020 and 2019 due within one year

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2020				2020	
	2020		2019			
Cash and deposits	¥	27,724	¥	19,011	\$	254,746
Trade receivables		22,226		26,587		204,233
Total	¥	49,950	¥	45,598	\$	458,979

Note 4: Redemption schedules of corporate long-term debt with maturities at March 31, 2020 and 2019

	Long-term debt				Thousands of U.S. dollars (Note 1)	
	Millions of yen				2020	
	2020		2019			
2020	¥	6,257	¥	2,362	\$	57,496
2021		15,117		5,128		138,910
2022		2,505		13,957		23,018
2023		9,017		1,345		82,859
2024		5,717		7,857		52,536
2025 and thereafter		1,354		1,712		12,445

23. Lease

Finance lease assets that transfer ownership are depreciated or amortized on the declining-balance method over the estimated useful lives of the assets with no residual value. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Right-of-use assets are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

The assumed interest expense is computed using the interest method over the lease terms based on the difference between the acquisition cost of the lease assets and the total lease payments.

24. Segment Information

(1) Overview of reportable segments

The Company defines its reportable segments as those operating units of which discrete financial information is available and results are reviewed by the Board of Directors periodically for the purpose of allocating resources and evaluating performance.

The Company has established a functional business division for the capacitor business that mainly manufactures and sells capacitors. The business division formulates comprehensive strategies for Japan and overseas. Accordingly, the Company has a single segment “Capacitor”.

The “Capacitor” business mainly manufactures and sells aluminum capacitors related products including processed aluminum foils that are used as raw materials.

(2) Method of calculating amounts of net sales, income (loss), assets, and other items

The accounting policies of the segments are substantially the same as those described in the significant policies in Note 2. “Summary of Significant Accounting Policies”. Profits of reportable segments correspond to operating income.

(3) Information concerning net sales and income (loss), assets and other items by reportable segment

	Millions of yen					
	2020			2019		
	Capacitor	Other	Consolidated	Capacitor	Other	Consolidated
Net sales:						
Sales to unaffiliated customers	¥ 109,028	¥ 5,571	¥ 114,599	¥ 133,211	¥ 7,739	¥ 140,951
Intersegment sales	-	-	-	-	-	-
Total	109,028	5,571	114,559	133,211	7,739	140,951
Segment profit (loss)	(3,519)	627	(2,891)	4,419	717	5,137
Other:						
Depreciation	7,643	70	7,714	6,958	64	7,022
Increase in fixed assets	5,490	129	5,620	9,397	156	9,553

	Thousands of U.S. dollars (Note 1)		
	2020		
	Capacitor	Other	Consolidated
Net sales:			
Sales to unaffiliated customers	\$ 1,001,821	\$ 51,192	\$ 1,053,014
Intersegment sales	-	-	-
Total	1,001,821	51,192	1,053,014
Segment profit (loss)	(32,341)	5,768	(26,572)
Other:			
Depreciation	70,232	651	70,884
Increase in fixed assets	50,452	1,192	51,645

- Notes:
1. “Other” includes business segments other than the reportable segment such as CMOS Camera modules and Amorphous Choke Coils.
 2. Total segment profit (loss) corresponds to operating profit (loss) in the consolidated statements of operations.
 3. Segment assets are not disclosed since the assets are not allocated to each business segment.

(4) Related information

Related information for the years ended March 31, 2020 and 2019 are as follows:

1) Information by product and service

Information by product and service is omitted because the information is same as that of reporting segments.

2) Information by geographic area

i) Net Sales

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Japan	¥ 27,530	¥ 31,306	\$ 252,964
China	36,695	48,216	337,179
America	12,404	14,319	113,978
Europe	14,416	16,322	132,470
Others	23,553	30,786	216,420
Total	¥ <u>114,599</u>	¥ <u>140,951</u>	\$ <u>1,053,014</u>

ii) Fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Japan	¥ 28,038	¥ 29,276	\$ 257,632
China	2,101	2,126	19,306
America	2,680	3,080	24,626
Europe	2,083	42	19,148
Others	5,610	6,008	51,557
Total	¥ <u>40,514</u>	¥ <u>40,535</u>	\$ <u>372,271</u>

iii) Information about major customer

Information about major customer for the years ended March 31, 2020 and 2019 are not presented as there is no customer to whom sales is over 10% in the consolidated statements of operations.