

SEIKITOKYU KOGYO CO., LTD.

*Consolidated Financial Statements
for the year ended March 31, 2020*

Independent Auditor's Report

May 22, 2020

The Board of Directors
SEKITOKYU KOGYO CO., LTD.

Ernst & Young ShinNihon LLC
Tokyo, Japan

松尾浩明



Hiroaki Matsuo
Designated Engagement Partner
Certified Public Accountant

井上裕人



Hiroto Inoue
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements of SEKITOKYU KOGYO CO., LTD. (the "Company") applicable to the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the SEKITOKYU KOGYO Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020, 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 Corporate Auditor and the Board of Corporate

Auditors 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 Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated 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.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

SEIKITOKYU KOGYO CO., LTD

Consolidated Balance Sheet
for the year ended March 31, 2020

	Yen (millions)	U.S. dollars (thousands) (Note 2)		Yen (millions)	U.S. dollars (thousands) (Note 2)
<u>Assets</u>	<u>2020</u>	<u>2020</u>	<u>Liabilities and Net assets</u>	<u>2020</u>	<u>2020</u>
Current assets:			Current liabilities:		
Cash and deposits (Note 10)	¥ 14,169	\$ 130,194	Short-term loans payable (Notes 5 and 10)	¥ 473	\$ 4,345
Trade receivables (Notes 6 and 10)			Trade payables (Note 10)		
Notes receivables	1,851	17,007	Notes payables	9,533	87,596
Accounts receivables	24,153	221,935	Accounts payables	14,099	129,550
Net trade receivables	26,004	238,942	Total trade payables	23,632	217,146
Inventories			Income taxes payable	559	5,131
Cost on uncompleted construction contracts	6,008	55,205	Advances received on uncompleted construction contracts	5,216	47,931
Raw materials and supplies	311	2,857	Provision for warranties for completed construction	16	145
Total inventories	6,319	58,062	Provision for loss on construction contracts	44	404
Short-term loans receivable	0	0	Provision for bonuses	1,268	11,650
Other current assets	2,560	23,523	Other current liabilities	2,701	24,822
Total current assets	49,052	450,721	Total current liabilities	33,909	311,574
Non-current assets:			Non-current liabilities:		
Property, plant and equipment (Notes 4 and 5):	22,806	209,552	Long-term loans payable (Notes 5 and 10)	300	2,757
Intangible assets:	463	4,257	Net defined benefit liability	3,742	34,388
Investments and long-term loans:			Other long-term liabilities	72	663
Investment securities			Total non-current liabilities	4,114	37,808
Other securities (Note 10)	264	2,426	Total liabilities	38,023	349,382
Deferred tax assets	1,434	13,179	Net assets:		
Guarantee deposits and other investments	637	5,854	Shareholders' equity (Note 7):		
Total investments and long-term loans	2,335	21,459	Share capital		
Total non-current assets	25,604	235,268	Authorized - 150,000,000 shares	2,000	18,377
			Issued - 40,414,407 shares		
Total assets	¥ 74,656	\$ 685,989	Capital surplus	511	4,694
			Retained earnings	35,481	326,019
			Treasury stock - 119,939 shares	(72)	(661)
			Total shareholders' equity	37,920	348,429
			Accumulated other comprehensive income:		
			Unrealized gain on investment securities	(3)	(27)
			Foreign currency translation adjustment	(16)	(148)
			Remeasurements of defined benefit plans	(1,268)	(11,647)
			Total accumulated other comprehensive income	(1,287)	(11,822)
			Total net assets	36,633	336,607
			Total liabilities and net assets	¥ 74,656	\$ 685,989

See accompanying notes to consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD

Consolidated Statement of Income for the year ended March 31, 2020

	Yen (millions)	U.S. dollars (thousands) (Note 2)
	2020	2020
Completed construction contracts:		
Net sales	¥ 62,836	\$ 577,382
Cost of sales	54,452	500,343
Gross profit	8,384	77,039
Finished goods:		
Net sales	15,642	143,727
Cost of sales	13,049	119,905
Gross profit	2,593	23,822
Real estate business:		
Net sales	153	1,407
Cost of sales	126	1,160
Gross profit	27	247
Total:		
Net sales	78,631	722,516
Cost of sales	67,627	621,408
Gross profit	11,004	101,108
Selling, general and administrative expenses:	5,043	46,334
Operating income	5,961	54,774
Other income (Note 8) :		
Interest and dividends	12	115
Other	1,657	15,229
Subtotal	1,669	15,344
Other expenses (Note 9):		
Interest	9	82
Impairment loss (Note 12)	82	755
Other	176	1,619
Subtotal	267	2,456
Profit before income taxes	7,363	67,662
Income taxes		
Current	891	8,195
Deferred	(73)	(672)
Net income	6,545	60,139
Net profit attributable to owners of parent	¥ 6,545	\$ 60,139

SEIKITOKYU KOGYO CO., LTD.

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

	Shareholders' equity (Notes 2 and 7)				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings (Millions of yen)	Treasury stock	
Balance at April 1, 2019	¥ 2,000	¥ 509	¥ 30,026	¥ (6)	¥ 32,529
Changes during the period					
Dividend of surplus			(1,090)		(1,090)
Net income attributable to owners of parent			6,545		6,545
Purchase of treasury stock				(100)	(100)
Disposal of treasury stock		2		34	36
Net changes of items other than shareholders' equity					-
Total changes during period	-	2	5,455	(66)	5,391
Balance as of March 31, 2020	¥ 2,000	¥ 511	¥ 35,481	¥ (72)	¥ 37,920

	Accumulated other comprehensive income				Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans (Millions of yen)	Total accumulated other comprehensive income	
Balance at April 1, 2019	¥ 15	¥ -	¥ (1,001)	¥ (986)	¥ 31,543
Changes during the period					
Dividend of surplus					(1,090)
Net income attributable to owners of parent					6,545
Purchase of treasury stock					(100)
Disposal of treasury stock					36
Net changes of items other than shareholders' equity	(18)	(16)	(267)	(301)	(301)
Total changes during period	(18)	(16)	(267)	(301)	5,090
Balance as of March 31, 2020	¥ (3)	¥ (16)	¥ (1,268)	¥ (1,287)	¥ 36,633

SEIKITOKYU KOGYO CO., LTD.

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

	Shareholders' equity (Notes 2 and 7)				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	
	(Thousands of U.S. dollars)				
Balance at April 1, 2019	\$ 18,377	\$ 4,676	\$ 275,903	\$ (55)	\$ 298,901
Changes during the period					
Dividend of surplus			(10,023)		(10,023)
Net income attributable to owners of parent			60,139		60,139
Purchase of treasury stock				(922)	(922)
Disposal of treasury stock		18		316	334
Net changes of items other than shareholders' equity					-
Total changes during period	-	18	50,116	(606)	49,528
Balance as of March 31, 2020	\$ 18,377	\$ 4,694	\$ 326,019	\$ (661)	\$ 348,429

	Accumulated other comprehensive income			Total accumulated other comprehensive income	Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Retirement benefits liability adjustments		
	(Thousands of U.S. dollars)				
Balance at April 1, 2019	\$ 136	\$ -	\$ (9,193)	\$ (9,057)	\$ 289,844
Changes during the period					
Dividend of surplus					(10,023)
Net income attributable to owners of parent					60,139
Purchase of treasury stock					(922)
Disposal of treasury stock					334
Net changes of items other than shareholders' equity	(163)	(148)	(2,454)	(2,765)	(2,765)
Total changes during period	(163)	(148)	(2,454)	(2,765)	46,763
Balance as of March 31, 2020	\$ (27)	\$ (148)	\$ (11,647)	\$ (11,822)	\$ 336,607

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by SEKITOKYU KOGYO CO., LTD. (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and the Companies Act of Japan and in conformity with accounting principles generally accepted in Japan, which may differ in some material respects from accounting principles generally accepted and applied in countries and jurisdictions other than Japan.

Certain items presented in the Japanese consolidated financial statements have been reclassified for presentation solely for the convenience of readers outside Japan.

In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Consolidation Policies

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany accounts, intercompany transactions and unrealized profits have been eliminated in consolidation.

As of March 31, 2020, the number of consolidated subsidiaries was 12 and none of the subsidiaries and affiliates are accounted for by the equity method. Major consolidated subsidiaries are SHINSEIKI KOGYO CO., LTD., ST KENZAI CO., LTD., SEKITOKYU MYANMAR ROAD CO., LTD., and ST SERVICE CO., LTD.

HODOU KOGYO CO., LTD. and two other subsidiaries acquired, and SEKITOKYU MYANMAR ROAD CO., LTD., and other one subsidiaries established in the fiscal year ended March 31, 2020, have been included in the scope of consolidation.

Non-consolidated subsidiary is CHUGAI ENGINEERING CO., LTD. The non-consolidated subsidiary has been excluded from the scope of the consolidation as it is small in scale and the total amounts of the non-consolidated subsidiary’s assets, net sales, equity in net income/loss, and equity in retained earnings does not have material impact on the consolidated financial statements.

(c) Closing dates for consolidated subsidiaries

All the subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on March 31 as same as the consolidated fiscal year end.

(d) Method of Accounting for Construction Contracts

The Company and its consolidated subsidiaries recognize revenue and cost by applying the percentage of completion method for the construction projects for which the percentage of completion can be reliably estimated at the end of the reporting period. To estimate the progress of such construction project, a method to calculate the percentage of the cost incurred to the estimated total project cost (i.e. cost-to-cost method) is applied. For other construction projects, the completed-contract method is applied.

Revenue recognized by applying the percentage of completion method was ¥21,440 million (U.S.\$197,004 thousand) for the year ended March 31, 2020.

(e) Inventories

Inventories are stated at cost, cost being determined by the identified cost method for cost on uncompleted construction contracts or by the moving average method for raw materials and supplies, and adjusted for any substantial permanent decline in value.

Each item of inventory is initially recorded at acquisition cost, and when net realizable value is less than the cost (i.e., profitability of inventory has declined), the amount of cost is reduced to net realizable value.

(f) Investments

Other securities (securities which are neither trading, held-to-maturity securities nor investments in subsidiaries and affiliates) with market value are carried at the market value on the balance sheet date. The difference between the acquisition cost and the market value of other securities is recognized as unrealized gain on investment securities in the consolidated balance sheet, net of tax effect. Non-marketable securities classified as other securities are carried at cost. The cost of other securities sold is computed based on the moving average method.

(g) Property, Plant and Equipment (Excluding leased assets)

The Company and its consolidated subsidiaries compute depreciation of Property, plant and equipment by the declining balance method, however, buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998 are depreciated by the straight-line method. Rates for depreciation are based on the estimated useful lives of the assets according to their general class, type of construction, and use.

The estimated useful lives are principally as follows:

Buildings and structures	7~50 years
Machinery, vehicle, tools, furniture and fixtures	5~ 7 years

(h) Intangible Assets (Excluding leased assets)

Computer software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

(i) Leases

Depreciation of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero.

(j) Income Taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements for the year ended March 31, 2020 with respect to the differences between the financial reporting and tax bases of assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed. Valuation allowances are recognized for the deferred tax assets that are not considered to be recoverable.

(k) Allowance for Doubtful Accounts

General provision for doubtful accounts is recorded by applying a certain reserve percentage of the receivables based on the experience from past transactions. When considered necessary, specific reserves are recognized based on the assessment of individual receivables.

(l) Provision for Warranties for Completed Construction

Provision for warranties for completed construction is recorded at an estimated amount, based on the actual number of defects and related warranty costs stipulated in completed construction contracts.

(m) Provision for Loss on Construction Contracts

Provision for loss on construction contracts is recorded for estimated future losses related to the construction contracts in progress.

(n) Provision for Bonuses

Provision for bonuses is stated at the estimated amount of bonuses which the Company and its consolidated subsidiaries are obliged to pay to their employees.

(o) Net defined benefit liability

Net defined benefit liability for employees has been recorded as the amount of retirement benefit obligations after deducting pension plan assets, calculated based on the estimated amounts of the balance sheet dates. The retirement benefit obligation for employees is attributed to each period by the straight-line method.

Prior service cost is amortized by the straight-line method over 13 years, which is shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized from the following year in which the gains or losses are recognized. Amortization is primarily calculated by the straight-line method over 10 years, which is shorter than the average remaining years of service of the employees.

Unrecognized prior service costs and unrecognized actuarial gains and losses are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income in net assets after consideration of tax effects.

(p) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(q) Consolidated Taxes

The Company and its consolidated subsidiaries apply Consolidated tax return filing system.

(r) Application of the Tax Effect Accounting for the Transition from the Consolidated tax return filing system to the Group Tax Sharing System

With regard to the transition to the Group Tax Sharing System established based on "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8, 2020) and to the items reconsidered on the Non-Consolidated tax return filing system in accordance with this transition to the Group Tax Sharing System, the Company and certain subsidiaries calculate the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the Income Tax Act before the amendment, without applying the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan Guidance No. 28, February 16, 2018) pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated tax return filing system to the Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020).

2. Basis of Translation

The consolidated financial statements as of and for the year ended March 31, 2020 presented herein are denominated in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥108.83 = U.S.\$1, the approximate rate of exchange in effect on March 31, 2020. This translation should not be construed as a representation that any of the yen amounts could be converted into U.S. dollar amounts at the above or any other rate.

3. Dividends

1) Dividends paid

Resolution	Type of shares	Yen (millions)	U.S. dollars (thousands)	Source of dividends	Yen	U.S. dollars	Record date	Effective date
		Total dividends	Total dividends		Dividends per share	Dividends per share		
Annual general meeting of shareholders on June 21, 2019	Common stock	¥1,090	\$10,024	Retained earnings	¥27.00	\$0.25	March 31, 2019	June 24, 2019

2) Dividends with a record date in the year ended March 31, 2020 and an effective date in the year ending March 31, 2021:

Resolution	Type of shares	Yen (millions)	U.S. dollars (thousands)	Source of dividends	Yen	U.S. dollars	Record date	Effective date
		Total dividends	Total dividends		Dividends per share	Dividends per share		
Annual general meeting of shareholders on June 23, 2020	Common stock	¥1,894	\$17,402	Retained earnings	¥47.00	\$0.43	March 31, 2020	June 24, 2020

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2020 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2020	2020
Buildings and structures	¥ 3,558	\$ 32,696
Machinery, equipment, vehicles, tools, furniture and fixtures	4,300	39,512
Land	14,196	130,438
Construction in progress	752	6,906
Total	¥22,806	\$209,552

5. Collateral Assets and Corresponding Liabilities

The following assets are provided as collateral for the borrowings at March 31, 2020:

	Yen (millions)	U.S. dollars (thousands)
	2020	2020
Buildings	¥ 373	\$ 3,425
Land	9,921	91,161
Total	¥10,294	\$94,586

Corresponding Liabilities at March 31, 2020

	Yen (millions)	U.S. dollars (thousands)
	2020	2020
Short-term loans payable	¥365	\$3,353
Long-term loans payable	300	2,757
Total	¥665	\$6,110

6. Receivables Fully Offset Against Allowance for Doubtful Accounts

	Yen (millions)	U.S. dollars (thousands)
	2020	2020
Long-term trade receivables	¥476	\$4,378

7. Shareholders' Equity

In accordance with the Companies Act of Japan (the "Act"), the Company provides legal retained earnings, which is included in retained earnings. The Act requires that an amount equal to at least 10% of the amounts to be disbursed as distribution of earnings be appropriated to the legal retained earnings until the total of the legal retained earnings plus the legal capital surplus or either of them equals 25% of the share capital account.

The Act further provides that neither legal capital surplus nor the legal retained earnings is available for the payment of dividends, but either may be used to reduce or eliminate accumulated deficits by a resolution of the shareholders, or may be transferred to the share capital account by a resolution of the shareholders. The Act also provides that, if the total amount of legal capital surplus and the legal retained earnings exceeds 25% of the amount of share capital, the excess may be distributed to the shareholders, either as a return of capital or as dividends, subject to the approval of the shareholders.

8. Other Income

The composition of "Other income" for the year ended March 31, 2020 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2020	2020
Interest income	¥ 4	\$ 36
Dividend income	8	79
Rent income	26	244
Outsourcing service income	18	163
Insurance claim income	32	292
Gain on sales of non-current assets	10	97
Compensation income	9	83
Gain on bargain purchase	90	826
Reversal of allowance for loss related to the Anti-Monopoly Act	1,449	13,313
Other	23	211
Total	¥1,669	\$15,344

9. Other Expenses

The composition of “Other expenses” for the year ended March 31, 2020 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2020	2020
Interest expenses	¥ 9	\$ 82
Guarantee commission	23	210
Organization expenses	9	85
Loss on sales of non-current assets	52	475
Loss on retirement of non-current assets	70	642
Impairment loss	82	755
Other	22	207
Total	¥267	\$2,456

Changes in Presentation

“Bill fluidizing commission” which was separately presented in the previous consolidated fiscal year is included in “Other” from the fiscal year ended March 31, 2020, because of an decreased quantitative materiality. The amount for “Bill fluidizing commission” is ¥5 million yen (U.S.\$50 thousand) for the year ended March 31, 2020.

10. Financial Instruments

Cash of the Company and its consolidated subsidiaries is managed through short-term deposits. Funds are provided mainly by borrowings from banks.

Customers’ credit risk on trade receivables (notes and accounts) is mitigated through credit control.

The Company and its consolidated subsidiaries assess fair values of investment securities quarterly at market quotations.

Funds from short-term loans payable and long-term loans payable are used for operating funds and capital investment.

The following table presents the carrying amounts of financial instruments on the consolidated balance sheet and the fair value at March 31, 2020, and the difference thereof.

	Yen (millions)		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets			
Cash and deposits:	¥14,169	¥14,169	¥ –
Trade receivables:			
Notes and accounts	26,004	26,004	–
Investment securities:	61	61	–
Total	¥40,234	¥40,234	¥ –

	U.S. dollars (thousands)		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits:	\$130,194	\$130,194	\$ –
Trade receivables:			
Notes and accounts	238,942	238,942	–
Investment securities:	558	558	–
Total	<u>\$369,694</u>	<u>\$369,694</u>	<u>\$ –</u>

	Yen (millions)		
	Carrying amount	Fair value	Unrealized gain (loss)
Liabilities			
Trade payables:			
Notes and accounts	¥23,632	¥23,632	¥ –
Short-term Loans payable:	108	108	–
Long-term Loans payable:	665	665	–
Total	<u>¥24,405</u>	<u>¥24,405</u>	<u>¥ –</u>

	U.S. dollars (thousands)		
	Carrying amount	Fair value	Unrealized gain (loss)
Trade payables:			
Notes and accounts	\$217,146	\$217,146	\$ –
Short-term Loans payable:	992	992	–
Long-term Loans payable:	6,110	6,110	–
Total	<u>\$224,248</u>	<u>\$224,248</u>	<u>\$ –</u>

Note 1: Fair value calculation methods for financial instruments.

Assets

Cash and deposits:

Since cash and deposits are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Trade Receivables (notes and accounts):

Since these assets are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Investment securities:

The fair value of these assets is determined by the prices listed on stock exchange.

Liabilities

Trade payables (notes and accounts):

Since these liabilities are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Short-term Loans payable:

Since these liabilities are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Long-term Loans payable:

Fair values of long-term loans payable are based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

In addition, "the current portion of long-term loans payable ¥365 million (U.S.\$3,353 thousand)" which is included in "short-term loans payable" under "current liabilities" on the consolidated balance sheet is included in "long-term loans payable" in the above table.

Note 2: Non-marketable securities (¥203 million (U.S.\$1,868 thousand) recorded on the consolidated balance sheet for the fiscal year ended March 31, 2020) are not included in "Investment securities" above, because these securities are without quotations and future cash flows cannot be estimated, which makes it extremely difficult to assess their fair values.

11. Amounts Per Share

Amounts per share as of and for the year ended March 31, 2020 are as follows:

As of March 31

	Yen	U.S. dollars
	2020	2020
Net assets	¥909.13	\$8.35

For the year ended March 31

	Yen	U.S. dollars
	2020	2020
Net Income	¥162.40	\$1.49

12. Impairment Loss

The Company and certain consolidated subsidiaries recognized impairment loss for the Following assets or groups of assets.

Use	Classification	Location	Yen	U.S. Dollars
			(millions)	(thousands)
Business assets	Building	Fukushima	¥82	\$755

The Company and consolidated subsidiaries group the assets by the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company recognized impairment loss in other expenses for the business asset due to the decision for dismantlement of the asset for the current consolidated fiscal year.

13. Other Notes

In December 2016, the Company executed a syndicate loan contract with The Bank of Mitsubishi UFJ, Ltd. serving as the arranger (of which, the balance of the term loan as of the end of fiscal year is ¥665 million (U.S.\$6,110 thousand)).

The following financial covenants are attached to the syndicate loan mentioned above;

- (a) The amount of net assets recorded on the balance sheet and consolidated balance sheet on the last day of each accounting period in and after the fiscal year ended March 31, 2017 must be maintained to at least 75% of the amount of net assets recorded on the balance sheet and consolidated balance sheet for the fiscal year immediately preceding said fiscal year or for the fiscal year ended March 31, 2016, whichever is the higher amount.
- (b) Ordinary losses must not be recorded in two consecutive periods on the statements of income or consolidated statements of income in and after the fiscal year ended March 31, 2017.
- (c) Net losses must not be recorded in two consecutive periods on the statements of income or consolidated statements of income in and after the fiscal year ended March 31, 2017.
- (d) The total coverage ratio for the consolidated balance sheet, consolidated statements of income, and consolidated cash flow statement in and after the fiscal year ended March 31, 2017 must be maintained at 15.0 or lower.

It is stipulated under the loan that, in the event of changes in accounting standards, all concerned parties shall consult on the abovementioned financial covenants to determine the impact of the said changes.