Fuji Seal International, Inc. and Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fuji Seal International, Inc.:

Opinion

We have audited the consolidated financial statements of Fuji Seal International, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Convenience Translation

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

Basis for Opinion

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

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu LLC

June 18, 2020

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2020

ASSETS	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT ASSETS:			
Cash and bank deposits (Notes 14 and 19)	¥ 11,832	¥ 10,392	$ 108,720
Receivables (Note 14):			
Notes and accounts receivable – trade	41,510	39,713	381,421
Electronically recorded monetary claims – trade	8,452	8,432	77,662
Associated company		90	
Other	2,987	3,139	27,446
Allowance for doubtful receivables	(270)	(144)	(2,481)
Inventories (Note 4)	19,783	20,006	181,779
Other current assets	970	1,149	8,913
Total current assets	85,264	82,777	783,460
PROPERTY, PLANT AND EQUIPMENT:			
Land	6,204	5,402	57,006
Buildings and structures (Note 5)	45,328	41,823	416,503
Machinery and equipment (Note 5)	88,328	78,809	811,614
Furniture and fixtures	8,051	5,829	73,978
Lease assets (Note 13)	665	591	6,110
Others	1,278		11,743
Construction in progress	2,929	2,455	26,914
Total	152,783	134,909	1,403,868
Accumulated depreciation	(94,930)	(79,303)	(872,277)
Net property, plant and equipment	57,853	55,606	531,591
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	3,825	3,941	35,147
Investment in associated company		3,649	
Goodwill (Note 21)	203		1,865
Software	1,109	1,188	10,190
Deferred tax assets (Note 11)	1,774	2,056	16,301
Asset for retirement benefits (Note 9)	1,954	2,020	17,955
Other assets	712	895	6,542
Total investments and other assets	9,577	13,749	88,000
TOTAL	¥ 152,694	¥ 152,132	$ 1,403,051

LIABILITIES AND EQUITY	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 14)	¥ 7,192	¥ 8,409	$ 66,085
Current portion of long-term debt (Notes 8 and 14)	2,428	1,850	22,310
Current portion of long-term lease obligations (Note 13)	92	74	845
Payables (Note 14):			
Notes and accounts payable – trade	12,308	11,214	113,094
Electronically recorded obligations – trade	13,321	12,979	122,402
Associated company		565	
Other	5,500	4,929	50,538
Income taxes payable (Note 14)	759	1,155	6,974
Accrued expenses	3,059	3,113	28,108
Other current liabilities (Notes 11 and 14)	4,504	4,195	41,386
Total current liabilities	49,163	48,483	451,742
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 14)	1,208	3,450	11,100
Long-term lease obligations (Note 13)	161	170	1,479
Liability for retirement benefits (Note 9)	2,461	1,996	22,613
Deferred tax liabilities (Note 11)	1,365	1,776	12,542
Other long-term liabilities	696	360	6,396
Total long-term liabilities	5,891	7,752	54,130
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 10 and 20):			
Common stock, authorized, 200,000,000 shares; issued, 60,161,956 shares in 2020 and 2019	5,990	5,990	55,040
Capital surplus	6,572	6,525	60,388
Retained earnings	86,776	79,786	797,354
Treasury stock – at cost: 4,597,169 shares in 2020 and 3,114,573 shares in 2019	(6,587)	(3,084)	(60,526)
Accumulated other comprehensive income (Note 16):			
Unrealized gain on available-for-sale securities	1,363	1,631	12,524
Deferred loss on derivatives under hedge accounting (Note 15)		(6)	
Foreign currency translation adjustments	2,604	3,948	23,927
Adjustment for defined retirement benefit plans (Note 9)	922	1,107	8,472
Subtotal	4,889	6,680	44,923
Total equity	97,640	95,897	897,179
TOTAL	¥ 152,694	¥ 152,132	$ 1,403,051

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET SALES	¥ 160,925	¥ 162,189	$ 1,478,682
COST OF SALES (Note 12)	129,635	130,478	1,191,169
Gross profit	31,290	31,711	287,513
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 18)	18,655	18,725	171,414
Operating income	12,635	12,986	116,099
OTHER INCOME (EXPENSES):			
Interest and dividend income	86	74	790
Interest expense	(63)	(102)	(579)
Foreign exchange gain (loss) – net	17	(154)	156
Equity in earnings (losses) of associated company	200	(233)	1,838
Gain on sales of property, plant and equipment	26	109	239
Loss on sales and disposals of property, plant and equipment	(205)	(406)	(1,884)
Reorganization expenses	(40)		(368)
Subsidies income	200	296	1,838
Insurance income (Note 6)		246	
Gain on step acquisitions (Note 21)	551		5,063
Loss from a fire accident (Note 7)	(76)		(698)
Impairment losses (Note 5)	(717)	(853)	(6,588)
Gain on settlement of retirement benefit plan (Note 9)		220	
Loss on settlement of retirement benefit plan (Note 9)		(300)	
Other – net	(41)	(29)	(377)
Other expenses – net	(62)	(1,132)	(570)
INCOME BEFORE INCOME TAXES	12,573	11,854	115,529
INCOME TAXES (Note 11):			
Current	(3,744)	(4,189)	(34,402)
Deferred	(21)	594	(193)
Total income taxes	(3,765)	(3,595)	(34,595)
NET INCOME	8,808	8,259	80,934
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 8,808	¥ 8,259	$ 80,934

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t and 17):			
Basic net income	¥155.51	¥144.78	$1.43
Cash dividends applicable to the year	32.00	29.00	0.29

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET INCOME	¥ 8,808	¥ 8,259	$ 80,934
OTHER COMPREHENSIVE (LOSS) INCOME (Note 16):			
Unrealized gain on available-for-sale securities	(268)	32	(2,463)
Deferred loss on derivatives under hedge accounting	6	(5)	55
Foreign currency translation adjustments	(899)	(1,670)	(8,260)
Share of other comprehensive income in associated company	(445)	96	(4,089)
Adjustment for defined retirement benefit plans	(185)	1,184	(1,700)
Total other comprehensive (loss) income	(1,791)	(363)	(16,457)
COMPREHENSIVE INCOME (Note 16)	¥ 7,017	¥ 7,896	$ 64,477
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):			
Owners of the parent	¥7,017	¥7,896	$64,477

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2020

		Millions of Yen								
						Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Adjustment for Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2018	57,032,992	¥5,990	¥6,463	¥72,953	¥(3,105)	¥1,599	¥(1)	¥ 5,522	¥ (77)	¥89,344
Net income attributable to owners of the parent				8,259						8,259
Cash dividends, ¥29 per share				(1,426)						(1,426)
Purchase of treasury stock	(7,007)				(0)					(0)
Disposal of treasury stock (include the disposal as restricted share compensation)	21,398		62		21					83
Net change in the year						32	(5)	(1,574)	1,184	(363)
BALANCE, MARCH 31, 2019	57,047,383	5,990	6,525	79,786	(3,084)	1,631	(6)	3,948	1,107	95,897
Net income attributable to owners of the parent				8,808						8,808
Cash dividends, ¥32 per share				(1,818)						(1,818)
Purchase of treasury stock	(1,503,296)				(3,523)					(3,523)
Disposal of treasury stock (include the disposal as restricted share compensation)	20,700		47		20					67
Net change in the year	(1,482,596)					(268)	6	(1,344)	(185)	(1,791)
BALANCE, MARCH 31, 2020	55,564,787	¥5,990	¥6,572	¥86,776	¥(6,587)	¥1,363	¥	¥ 2,604	¥ 922	¥97,640

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Adjustment for Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2019	$ 55,040	$ 59,956	$ 733,125	$ (28,338)	$ 14,987	$ (55)	$ 36,276	$ 10,172	$ 881,163
Net income attributable to owners of the parent			80,934						80,934
Cash dividends, $0.29 per share			(16,705)						(16,705)
Purchase of treasury stock				(32,372)					(32,372)
Disposal of treasury stock (include the disposal as restricted share compensation)		432		184					616
Net change in the year					(2,463)	55	(12,349)	(1,700)	(16,457)
BALANCE, MARCH 31, 2020	$ 55,040	$ 60,388	$ 797,354	$ (60,526)	$ 12,524	$	$ 23,927	$ 8,472	$ 897,179

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 12,573	¥ 11,854	$ 115,529
Adjustments for:			
Income taxes – paid	(3,951)	(4,682)	(36,304)
Depreciation and amortization	8,161	8,837	74,989
Impairment losses (Note 5)	717	853	6,588
Gain on settlement of retirement benefit plan (Note 9)		(220)	
Loss on settlement of retirement benefit plan (Note 9)		300	
Subsidies income	(200)	(296)	(1,838)
Gain on sales of property, plant and equipment	(26)	(109)	(239)
Loss on sales and disposals of property, plant and equipment	205	406	1,884
Equity in loss of associated company	(200)	233	(1,838)
Changes in assets and liabilities:			
Receivables	568	(2,245)	5,219
Inventories	1,259	(2,876)	11,569
Payables	(135)	536	(1,240)
Liability for retirement benefits	7	(1,246)	64
Others – net	108	(875)	991
Total adjustments	6,513	(1,384)	59,845
Net cash provided by operating activities	19,086	10,470	175,374
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(6,421)	(7,462)	(59,000)
Purchases of software and other assets	(371)	(373)	(3,409)
Purchases of investment securities	(279)	(30)	(2,564)
Cash paid to acquire additional shares of entity, net of cash and cash equivalents acquired (Note 21)	(2,589)		(23,789)
Others – net	343	415	3,151
Net cash used in investing activities	(9,317)	(7,450)	(85,611)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans – net	933	(1,199)	8,573
Proceeds from long-term debt	186		1,709
Repayments of long-term debt	(1,850)		(16,999)
Purchases of treasury stock	(3,524)		(32,381)
Dividends paid	(1,818)	(1,426)	(16,704)
Others – net	(328)	(91)	(3,015)
Net cash used in financing activities	(6,401)	(2,716)	(58,817)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	8	(121)	75
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,376	183	31,021
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	7,967	7,784	73,206
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 19)	¥ 11,343	¥ 7,967	$ 104,227

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Fuji Seal International, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to $1, the approximate rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** – The consolidated financial statements as of March 31, 2020, include the accounts of the Company and its 26 (25 in 2019) subsidiaries (collectively, the "Group").

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

Investment in one associated company was accounted for by the equity method in 2019. The associated company became a consolidated subsidiary due to additional acquisition of shares in 2020 (see Note 21).

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

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** – In accordance with Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items, that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to a Foreign-Associated Company for the Equity Method*** – In accordance with ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by a foreign-associated company in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Business Combinations*** – Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash Equivalents*** – Cash equivalents presented in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits in banks and other short-term investments which mature or become due within 12 months of the date of acquisition. In the consolidated statements of cash flows, the ending balance of bank overdraft is netted against cash equivalents (see Note 19).

f. ***Inventories*** – Inventories are stated at the lower of cost, determined by the moving-average cost method principally for finished products and work in process and by the most recent purchase price principally for raw materials and supplies, or net selling value.

g. ***Investment Securities*** – Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

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

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

i. ***Property, Plant and Equipment*** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Depreciation of property, plant and equipment of foreign subsidiaries is computed substantially by the straight-line method. The range of useful lives is from 2 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

Equipment held under lease is depreciated by the straight-line method over the respective lease period.

Under certain conditions, such as the receipt of subsidy income, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired. As of March 31, 2020, such deferred profit amounted to ¥1,478 million ($13,581 thousand).

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

k. ***Software*** – Software for internal use is amortized by the straight-line method over the estimated useful lives. The estimated useful life is five years.

l. ***Goodwill*** – Goodwill arise principally from business combinations. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired. Goodwill is amortized over 5 years.

m. ***Retirement and Pension Plans*** – The Company and certain subsidiaries have defined contribution pension plans and defined benefit lump-sum payment plans for employees. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss primarily over ten years but no longer than the expected average remaining service period of the employees.

n. ***Asset Retirement Obligations*** – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset, and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement, and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. ***Research and Development Costs*** – Research and development costs are charged to income as incurred.

p. ***Leases*** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

q. ***Income Taxes*** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

With regard to the items for which a review of the non-consolidated taxation system was made in accordance with the transition to the group tax sharing system established under the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and the transition to the group tax sharing system, pursuant to the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) do not apply to the Company and some domestic subsidiaries, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

r. ***Foreign Currency Transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

s. ***Foreign Currency Financial Statements*** – The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of the foreign subsidiaries are translated into yen at the average exchange rate.

t. ***Derivatives and Hedging Activities*** – The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

u. ***Per Share Information*** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period retroactively adjusted for stock splits.

Diluted net income per share is not presented because there are no securities with a dilutive effect upon exercise or conversion into common stock.

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

v. ***Accounting Changes and Error Corrections*** – Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies – When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) Changes in Presentation – When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior-Period Errors – When an error in prior-period financial statements is discovered, those statements are restated.

w. New Accounting Pronouncements

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

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

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Fair Value Measurement – On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, non-marketable available-for-sale equity securities are stated at fair value, while under the current accounting standards, non-marketable available-for-sale securities are stated at cost. The Group expects to apply the New Accounting Standards for annual periods beginning on April 1, 2021, and is in the process of measuring the effects of applying the Standards in future applicable periods.

x. Accounting Change

ASC 606 Revenue from Contracts with Customers – From the beginning of the fiscal year ended March 31, 2020, the foreign consolidated subsidiaries adopting generally accepted accounting principles in the United States of America ("US GAAP") have applied ASC 606, "Revenue from Contracts with Customers." By applying ASC 606, revenue is recognized at an amount that reflects the consideration expected to be entitled to in exchange for the promised goods or service when it is transferred to the customers. The impact on the consolidated financial statements for the current consolidated fiscal year is immaterial.

IFRS 16 Lease – From the beginning of the fiscal year ended March 31, 2020, the foreign consolidated subsidiaries adopting International Financial Reporting Standards (IFRS) have applied IFRS 16, "Leases." In applying IFRS 16, the cumulative effect of the application of this standard was recognized at the beginning of the fiscal year ended March 31, 2020. The impact on the consolidated financial statements for the current consolidated fiscal year is immaterial.

3. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Noncurrent:			
Marketable equity securities	¥3,374	¥3,742	$ 31,002
Non-marketable equity securities	451	199	4,145
Total	¥3,825	¥3,941	$ 35,147

The costs and aggregate fair values of investment securities as of March 31, 2020 and 2019, were as follows:

	Millions of Yen			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,426	¥1,966	¥(18)	¥3,374
Total	¥1,426	¥1,966	¥(18)	¥3,374

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,394	¥2,355	¥(7)	¥3,742
Total	¥1,394	¥2,355	¥(7)	¥3,742

	Thousands of U.S. Dollars			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$ 13,103	$ 18,064	$ (165)	$ 31,002
Total	$ 13,103	$ 18,064	$ (165)	$ 31,002

There were no sales of equity securities for the years ended March 31, 2020, and 2019.

The Company recognized impairment of ¥14 million ($129 thousand) on investment securities for the year ended March 31, 2020. With respect to impairing securities with a market value, if the market value at the end of the period has significantly declined compared to the acquisition cost, the Group recognizes impairment to the extent deemed necessary based on recoverability.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Finished products	¥ 9,155	¥ 9,615	$ 84,122
Work in process	3,492	3,684	32,087
Raw materials and supplies	7,136	6,707	65,570
Total	¥19,783	¥20,006	$ 181,779

5. LONG-LIVED ASSETS

Year ended March 31, 2020

The Group reviewed its long-lived assets for impairment as of March 31, 2020. As a result, Fuji Seal, Inc. Nara division recognized impairment losses of ¥384 million ($3,528 thousand) on buildings and land, and PAGO AG recognized impairment losses of ¥334 million ($3,069 thousand) on machinery and equipment, and the carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2020. Both entities had continuing operating losses, which results in the indicators of impairment.

In addition, Fuji Seal, Inc. Tsukuba factory recognized impairment losses of ¥49 million ($450 thousand) on idle machinery and equipment due to a fire accident, and the carrying amounts of the relevant assets were written down to zero.

Year ended March 31, 2019

The Group reviewed its long-lived assets for impairment as of March 31, 2019. As a result, Fuji Seal Europe Ltd. and PT. Fuji Seal Packaging Indonesia recognized impairment losses of ¥683 million and ¥145 million on buildings and structures, and machinery and equipment respectively and the carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2019. Both entities have continuing operating losses, which results in the indicators of impairment. Also, PAGO AG recognized impairment loss of ¥24 million on machinery and equipment that became idle assets during the fiscal year, and the carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2019. The recoverable amounts of machinery and equipment were measured at their net selling prices and the recoverable amounts of buildings and structures were measured at reasonable estimated value referring to the standard of real estate appraisal.

6. INSURANCE INCOME

Year ended March 31, 2020

No insurance income was recognized.

Year ended March 31, 2019

Insurance income represents insurance proceeds received due to the damage of property, plant and equipment located in our customers, which was caused by the heavy rain that hit Western Japan in July 2018.

7. LOSS ON FIRE ACCIDENT

Year ended March 31, 2020

Loss form a fire accident consisted of the impairment losses on machinery and losses on inventories, both of which were caused by a fire accident at Fuji Seal, Inc. Tsukuba factory in November 2019.

Year ended March 31, 2019

No loss on fire accidents were recognized.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2020 and 2019, consisted of bank loans and bank overdrafts. The weighted-average annual interest rate applicable to the short-term bank loans was 0.4% and 1.3% for the years ended March 31, 2020 and 2019, respectively.

Long-term debt as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loans from banks with weighted-average per annum interest rate of 0.2% for 2020 (0.2% for 2019) due serially to 2022	¥ 3,636	¥ 5,300	$ 33,410
Total	3,636	5,300	33,410
Less current portion	(2,428)	(1,850)	(22,310)
Long-term debt, less current portion	¥ 1,208	¥ 3,450	$ 11,100

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥1,087	$ 9,988
2022	37	340
2023	37	340
2024	47	432
2025		
Total	¥1,208	$ 11,100

9. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have defined retirement benefit plans, such as a defined corporate pension plan and lump-sum pension plan, and also have defined contribution plans. Under most circumstances, employees terminating their employment are entitled to retirement benefits, determined based on the rate of pay at the time of termination, years of service, and certain other factors.

A subsidiary located in the Americas settled the retirement benefit plans in phases in 2019, which resulted in the settlement losses. A subsidiary located in Europe settled the retirement benefit plan in 2019, which resulted in the settlement gain.

Defined Retirement Benefit Plan

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of the year	¥12,824	¥20,392	$ 117,835
Current service cost	314	636	2,885
Interest cost	98	207	900
Actuarial (gains) losses	1,026	(385)	9,428
Benefits paid	(836)	(787)	(7,682)
Foreign currency transaction adjustments	(28)	(505)	(257)
Settlement of retirement benefit plans		(6,921)	
Acquisition of consolidated subsidiary	343		3,151
Others	106	185	974
Balance at end of the year	¥13,847	¥12,822	$ 127,234

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of the year	¥12,846	¥17,949	$ 118,037
Interest income	110	150	1,011
Expected return on plan assets		48	
Actuarial (losses) gains	950	(279)	8,729
Contributions from the employer	138	1,664	1,268
Benefits paid	(777)	(715)	(7,140)
Foreign currency transaction adjustments	(27)	(472)	(248)
Settlement of retirement benefit plans		(5,311)	
Others	100	(188)	919
Balance at end of the year	¥13,340	¥12,846	$ 122,576

(3) Reconciliation between the liability and assets recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets as of March 31, 2020 and 2019, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Defined benefit obligations	¥ 11,386	¥ 10,827	$ 104,621
Plan assets	(13,340)	(12,846)	(122,576)
Total	(1,954)	(2,019)	(17,955)
Unfunded defined benefit obligations	2,461	1,995	22,613
Net (asset) liability arising from defined benefit obligations	¥ 507	¥ (24)	$ 4,658

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for retirement benefits	¥ 2,461	¥ 1,996	$ 22,613
Asset for retirement benefits	(1,954)	(2,020)	(17,955)
Net (asset) liability arising from defined benefit obligation	¥ 507	¥ (24)	$ 4,658

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥ 314	¥ 636	$ 2,885
Net interest cost	(12)	57	(111)
Expected return on plan assets		(48)	
Recognized actuarial losses	(149)	40	(1,369)
Amortization of prior service cost	12	29	110
Others (including early retirement payment)	6	10	56
Net periodic benefit costs	¥ 171	¥ 724	$ 1,571
Loss on settlement of retirement benefit plan	53	300	487
Gain on settlement of retirement benefit plan		(220)	
Total	¥ 224	¥ 804	$ 2,058

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Prior service cost	¥ 12	¥ 29	$ 110
Actuarial losses (gains)	(233)	1,413	(2,141)
Total	¥(221)	¥1,442	$(2,031)

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized prior service cost	¥ (3)	¥ (15)	$ (28)
Unrecognized actuarial losses	1,076	1,308	9,887
Total	¥1,073	¥1,293	$9,859

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

a. *Components of plan assets*

Plan assets consisted of the following:

	2020	2019
Debt investments	36%	39%
Equity investments	27	26
Mutual fund	37	
Real estate including REIT		35
Others	0	0
Total	100%	100%

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

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

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

	2020	2019
Discount rate	Domestic: 0.1% Foreign: 0.2-3.1%	Domestic: 0.1% Foreign: 0.9-4.3%
Expected rate of return on plan assets	Foreign: – %	Foreign: – %
Amortization period of prior service cost	Mainly 10 years	Mainly 10 years
Recognition period of actuarial gains/losses	Mainly 10 years	Mainly 10 years
Estimated rate of salary increase (*1)	Domestic: 4.0% Foreign: 0.5%	Domestic: 4.1% Foreign: 0.5%

(*1) For the Company and domestic subsidiaries, the estimated rate of salary increase represented an estimated rate of increase in points, which is applied in calculating the retirement benefits.

Defined Contribution Plan

The amounts of required contribution for the years ended March 31, 2020 and 2019, were ¥433 million ($3,979 thousand) and ¥324 million, respectively.

10. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (namely appointment committee, compensation committee, and audit committee) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with board committees. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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

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

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.81% for the years ended March 31, 2020 and 2019. The foreign subsidiaries are subject to income taxes of the countries in which they operate.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Accrued enterprise taxes	¥ 91	¥ 114	$ 836
Accrued bonuses	410	403	3,767
Allowance for doubtful receivables	35	11	322
Liability for retirement benefits	676	578	6,212
Tax loss carryforwards	3,676	3,947	33,777
Depreciation	410	492	3,767
Impairment losses	132		1,213
Unrealized intercompany profits	191	176	1,755
Tax credits carryforwards for investment	829	922	7,617
Others	882	1,087	8,105
Total of tax loss carryforwards and temporary differences	7,332	7,730	67,371
Less valuation allowance for tax loss carryforwards	(3,622)	(3,876)	(33,281)
Less valuation allowance for temporary differences	(673)	(464)	(6,184)
Total valuation allowance	(4,295)	(4,340)	(39,465)
Deferred tax assets	¥ 3,037	¥ 3,390	$ 27,906
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	¥ (362)	¥ (360)	$ (3,326)
Net unrealized gains on available-for-sale securities	(600)	(717)	(5,513)
Depreciation	(1,068)	(1,311)	(9,813)
Fixed assets	(128)	(273)	(1,176)
Others	(470)	(449)	(4,320)
Deferred tax liabilities	¥(2,628)	¥(3,110)	$(24,148)
Net deferred tax liabilities	¥ 409	¥ 280	$ 3,758

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

	Millions of Yen						
March 31, 2020	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥ 73	¥ 114	¥ 88	¥ 422	¥ 479	¥ 2,500	¥ 3,676
Less valuation allowances for tax loss carryforwards	(73)	(114)	(88)	(422)	(479)	(2,446)	(3,622)
Net deferred tax assets relating to tax loss carryforwards						54	54

	Thousands of U.S. Dollars						
March 31, 2020	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	$ 671	$ 1,047	$ 809	$ 3,878	$ 4,401	$ 22,971	$ 33,777
Less valuation allowances for tax loss carryforwards	(671)	(1,047)	(809)	(3,878)	(4,401)	(22,475)	(33,281)
Net deferred tax assets relating to tax loss carryforwards						496	496

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2019, is not presented because the difference between the normal effective statutory tax rate and the actual effective tax rate was less than 5% of the normal effective statutory tax rate, which is immaterial.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,540 million ($23,339 thousand) and ¥2,121 million for the years ended March 31, 2020 and 2019, respectively.

13. LEASES

The Group leases certain machinery, computer equipment, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended March 31, 2020 and 2019, were ¥395 million ($3,630 thousand) and ¥235 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2020		2020	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 92	¥163	$ 845	$1,498
Due after one year	161	159	1,479	1,461
Total	¥253	¥322	$2,324	$2,959

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial assets, mainly short-term deposits, and uses financial instruments, mainly short-term bank loans and bonds, for funding. The Company and its subsidiaries apply short-term deposits and short-term loans receivable among Group companies (cash management system). Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables for trade are exposed to customer credit risk. Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly listed shares, are exposed to the risk of market price fluctuations. Payment terms of payables for trade are mostly less than six months.

Maturities of bank loans and bonds are less than five years from the balance sheet date. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest rate swaps.

Derivatives consist primarily of forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and from changes in interest rates of bank loans. Please see Notes 2.s and 15 for more details on derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. The credit risk affecting subsidiaries is also managed in the same manner.

Market risk management (foreign exchange risk and interest rate risk)

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loans.

Liquidity risk management

Liquidity risk includes the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding adequate volume of liquid assets in view of business income and manages expenditures and equipment investment spending plans, along with adequate financial planning by the Corporate Treasury Department. Subsidiaries also report their financial plans to the Group. The Finance Department manages liquidity risk by obtaining information on cash flows of the whole Group.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. The valuation technique utilizes certain assumptions, and the fair values may change by adopting different assumptions. In addition, the contract amounts of derivatives in Note 15 do not directly indicate the market risk of derivatives.

(a) Fair value of financial instruments

The carrying amounts, fair values, and unrealized gain/loss as of March 31, 2020 and 2019, were as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

	Millions of Yen		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥11,832	¥11,832	¥
Receivables:			
Notes and accounts receivable – trade	41,510	41,510	
Electronically recorded monetary claims – trade	8,452	8,452	
Investment securities:			
Available-for-sale securities	3,374	3,374	
Total	¥65,168	¥65,168	¥
Short-term bank loans	¥ 7,192	¥ 7,192	
Payables:			
Notes and accounts payable – trade	13,321	13,321	
Electronically recorded obligations – trade	12,308	12,308	
Others	4,095	4,095	
Income taxes payable	759	759	
Long-term debt	3,636	3,617	¥(19)
Total	¥41,311	¥41,292	¥(19)
Derivatives (*1)	¥(20)	¥(20)	¥

March 31, 2019	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥10,392	¥10,392	¥
Receivables:			
Notes and accounts receivable – trade	39,713	39,713	
Electronically recorded monetary claims – trade	8,432	8,432	
Associated company	90	90	
Investment securities:			
Available-for-sale securities	3,742	3,742	
Total	¥62,369	¥62,369	¥
Short-term bank loans	¥ 8,409	¥ 8,409	
Payables:			
Notes and accounts payable – trade	11,214	11,214	
Electronically recorded obligations – trade	12,979	12,979	
Associated company	565	565	
Others	4,929	4,929	
Income taxes payable	1,155	1,155	
Long-term debt	5,300	5,287	¥(13)
Total	¥44,551	¥44,538	¥(13)
Derivatives (*1)	¥(1)	¥(1)	¥

March 31, 2020	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	$ 108,720	$ 108,720	$
Receivables:			
Notes and accounts receivable – trade	381,421	381,421	
Electronically recorded monetary claims – trade	77,662	77,662	
Investment securities:			
Available-for-sale securities	31,002	31,002	
Total	$ 598,805	$ 598,805	$
Short-term bank loans	$ 66,085	$ 66,085	
Payables:			
Notes and accounts payable – trade	122,402	122,402	
Electronically recorded obligations – trade	113,094	113,094	
Others	37,627	37,627	
Income taxes payable	6,974	6,974	
Long-term debt	33,410	33,235	$(175)
Total	$ 379,592	$ 379,417	$(175)
Derivatives (*1)	$(184)	$(184)	$

(*1) Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

Cash and bank deposits, receivables, payables, short-term bank loans, and income taxes payable

The carrying values of cash and bank deposits, receivables, payables, short-term bank loans, and income taxes payable approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 3.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The fair values of bonds are determined by the over-the-counter sale price published by Japan Securities Dealers Association.

Derivatives

Fair value information for derivatives is included in Note 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investments in equity instruments that do not have a quoted market price in an active market	¥451	¥199	$4,145

(5) Maturity Analysis for Financial Assets with Contractual Maturities

	Millions of Yen			
March 31, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and bank deposits	¥11,832	¥	¥	¥
Receivables:				
Notes and accounts receivable – trade	41,510			
Electronically recorded monetary claims – trade	8,452			
Total	¥61,794	¥	¥	¥

	Thousands of U.S. Dollars			
March 31, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and bank deposits	$ 108,720	$	$	$
Receivables:				
Notes and accounts receivable – trade	381,421			
Electronically recorded monetary claims – trade	77,662			
Total	$ 567,803	$	$	$

Please see Note 8 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

15. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are executed to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
At March 31, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥1,359	¥	¥(13)	¥(13)
Selling USD	86		(2)	(2)
Selling JPY	245		(6)	(6)

	Millions of Yen			
At March 31, 2019	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥746	¥	¥8	¥8

	Thousands of U.S. Dollars			
At March 31, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	$12,487		$(119)	$(119)
Selling USD	790		(18)	(18)
Selling JPY	2,251		(55)	(55)

Derivative Transactions to Which Hedge Accounting Is Applied

At March 31, 2020	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Principal method:				
Foreign currency forward contracts:				
Buying EUR	Forecasted transactions	¥25	¥	¥ 0
Conventional method:				
Foreign currency forward contracts:				
Selling EUR	Receivables	¥ 1	¥	(*1)
Selling USD	Receivables	¥ 3	¥	(*1)

At March 31, 2019	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Principal method:				
Foreign currency forward contracts:				
Buying EUR	Forecasted transactions	¥151	¥	¥(8)
Conventional method:				
Foreign currency forward contracts:				
Selling EUR	Receivables	¥ 1	¥	(*1)
Selling USD	Receivables	¥ 6	¥	(*1)

At March 31, 2020	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Principal method:				
Foreign currency forward contracts:				
Buying EUR	Forecasted transactions	$230	$	$ 0
Conventional method:				
Foreign currency forward contracts:				
Selling EUR	Receivables	$ 9	$	(*1)
Selling USD	Receivables	$28	$	(*1)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

(*1) The hedged items denominated in foreign currencies are translated at the contracted rates if the forward foreign currency contracts qualify for hedge accounting. The fair value of such forward foreign currency contracts in Note 14 are included in the hedged items.

16. OTHER COMPREHENSIVE (LOSS) INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ (400)	¥ 46	$ (3,676)
Reclassification adjustments to profit or loss	14		129
Amount before income tax effect	(386)	46	(3,547)
Income tax effect	118	(14)	1,084
Total	¥ (268)	¥ 32	$ (2,463)
Deferred loss on derivatives under hedge accounting:			
Loss arising during the year		¥ (8)	
Reclassification adjustments to profit or loss	¥ 9	1	$ 83
Amount before income tax effect	9	(7)	83
Income tax effect	(3)	2	(28)
Total	¥ 6	¥ (5)	$ 55
Foreign currency translation adjustments:			
(Loss) gain arising during the year	¥ (899)	¥(1,670)	$ (8,260)
Total	¥ (899)	¥(1,670)	$ (8,260)
Share of other comprehensive income in associated company:			
Gain arising during the year	¥ (199)	¥ 96	$ (1,829)
Reclassification adjustments to profit or loss	(246)		(2,260)
Total	¥ (445)	¥ 96	$ (4,089)
Adjustment for defined retirement benefit plan:			
Gain arising during the year	¥ (84)	¥ 141	$ (772)
Reclassification adjustments to profit or loss	(137)	1,301	(1,259)
Amount before income tax effect	(221)	1,442	(2,031)
Income tax effect	36	(258)	331
Total	¥ (185)	¥ 1,184	$ (1,700)
Total other comprehensive (loss) income	¥(1,791)	¥ (363)	$(16,457)

17. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2020 and 2019, is calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2020				
Basic EPS				
Net income available to common shareholders	¥8,808	56,643	¥155.51	$1.43
For the year ended March 31, 2019				
Basic EPS				
Net income available to common shareholders	¥8,259	57,046	¥144.78	

Diluted net income per share is not disclosed because there are no dilutive shares.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Employees' salaries	¥6,849	¥6,803	$62,933
Freight charges	2,499	2,508	22,962

19. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliations between cash and cash equivalents on the consolidated statements of cash flows and cash and bank deposits on the consolidated balance sheets at March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and bank deposits	¥11,832	¥10,392	$108,720
Bank overdraft	(489)	(2,425)	(4,493)
Cash and cash equivalents	¥11,343	¥7,967	$104,227

The following is a summary of assets and liabilities acquired at the starting date of consolidation. The amount of assets and liabilities through the acquisition of shares of Fuji Seal Packaging (Thailand) Co., Ltd., (former Fuji Ace Co., Ltd), acquisition cost and considerations paid are as follows.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 6,092	$ 55,977
Non-current assets	4,867	44,721
Current liabilities	(2,444)	(22,457)
Non-current liabilities	(573)	(5,265)
Goodwill	203	1,865
Foreign currency translation adjustment	247	2,271
Carrying amount accounted for by the equity method immediately before gaining controls	(3,991)	(36,672)
Cash paid to acquire additional shares of entity	4,401	40,439
Cash and cash equivalents	(1,812)	(16,650)
Net: Cash paid to acquire additional shares of entity, net of cash and cash equivalents acquired	¥ 2,589	$ 23,789

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2020, was approved at the meeting of the Board of Directors of the Company held on May 20, 2020:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16 ($0.15) per share	¥889	$8,169

21. BUSINESS COMBINATION

1. Outline of the business combination

The Company decided to acquire 51% of the total shares, held by Ajinomoto Group companies, of Fuji Ace Co., Ltd. of which the Company currently held 49% of the shares, and to make a wholly owned subsidiary, as follows at the Board of Directors meeting held on January 31, 2020. Based on this decision, the Company entered into the share transfer agreement on February 5, 2020, and acquired shares of Fuji Ace Co., Ltd. on March 6, 2020.

(1) Name and business contents of the acquiree

Name: Fuji Ace Co., Ltd.

Business contents: Manufacturing and sales of packaging materials and sales of packaging equipment

(2) Main reason for the business combination

Fuji Ace Co., Ltd., which was established in Thailand in 1995 as a joint venture with Ajinomoto Co., Inc., a business partner, has been leading market expansion in the ASEAN region centered in Thailand as a major base for the manufacture and sale of packaging materials. The Company also established a company in India in 2018 to strengthen and accelerate business development in the ASEAN and South Asia regions.

In addition, by making Fuji Ace Co., Ltd. a wholly owned subsidiary, the Company will conduct integrated and efficient operations with our other bases in Thailand, Vietnam, Indonesia, and India. The Company will also be able to develop the ASEAN strategy for manufacturing and sales of flexible packaging materials and strengthen system solutions for shrink, PSL lables and machinery.

Through this change, the Company aim to accelerate the pace of implementation of growth strategies in ASEAN and South Asia. Going forward, the Company will strive to further increase our corporate value by becoming a partner that continues to be named by customers as the entire Group, including the ASEAN region.

(3) Date of the business combination

March 6, 2020 (Date of acquisition)

March 31, 2020 (Date of acquisition for preparing the consolidated financial statements)

(4) Legal form of the business combination

Share acquisition by cash

(5) Name of the acquiree after the business combination

Fuji Seal Packaging (Thailand) Co., Ltd.

(6) Ratio of voting rights acquired

①	Ratio of voting rights before acquisition:	49%
②	Ratio of voting rights of additional acquisition:	51%
③	Ratio of voting rights after acquisition:	100%

(7) Basis for determination of the acquirer

It is based on the fact that the Company acquired equity interests of Fuji Ace Co., Ltd. by cash consideration.

2. Period of the operating results of the acquiree included in the consolidated financial statements

The consolidated balance sheet of the acquiree was consolidated based on the financial statements of the subsidiary as of March 31, 2020, and the operating results are included in the consolidated statement of income as equity in earnings of associated company for the year ended March 31, 2020.

3. Amount and breakdown of acquisition costs

Value of the shares hold before the date of business combination:	¥3,991 million ($36,672 thousand)
Payment for acquisition of equity interests:	¥4,401 million ($40,439 thousand)
Acquisition cost:	¥8,392 million ($77,111 thousand)

4. Amount and breakdown of the main acquisition-related costs

Advisory fees and commissions: ¥115 million ($1,057 thousand)

5. The difference between acquisition costs and the total costs of stock acquisition transactions

Gain on step acquisitions: ¥551 million ($5,063 thousand)

6. Amount of goodwill recognized, reasons for recognition, and method and period of amortization of goodwill

(1) Amount of goodwill recognized

¥203 million ($1,865 thousand)

Identifying identifiable assets and liabilities on the date of the above business combination is under examination and the purchase price allocation has not yet been completed as of March 31, 2020. Therefore, the amount of goodwill is accounted for on a provisional basis.

(2) Reasons for recognition

Goodwill arise from expected excess earnings power from business development in the future.

(3) Method and period for amortization of goodwill

The goodwill is amortized on a straight-line basis over 5 years.

7. Amount of assets acquired and liabilities assumed on the date of business combination

Assets

Total assets: ¥10,959 million ($100,698 thousand)

Liabilities

Total liabilities: ¥3,017 million ($27,722 thousand)

8. Unaudited summaries of estimated impact on consolidated financial statement of income

Sales: ¥14,312 million ($131,508 thousand)

Operating income: ¥422 million ($3,878 thousand)

(Effect of estimated amount)

These summaries of estimated impact were based on the assumption that this business combination had been completed on April 1, 2019, i.e., at the beginning of the fiscal year ended March 31, 2020. These summaries have not been audited by an independent auditor.

22. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. The Group conducts packaging business, which mainly consists of shrink labels and self-adhesive (tack) labels in Japan, Americas, Europe, PAGO, and ASEAN. Each of the regions are an independently managed unit that can conduct production and sales in their respective region. PAGO AG and its associated companies conduct their business mainly in Switzerland, Germany, and Italy. The Company defines the business area of PAGO AG and its associated companies as "PAGO."

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment.

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

(3) Information about Sales, Profit (Loss), Assets, Liabilities, and Other Items

	Millions of Yen 2020							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	ASEAN	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥97,455	¥34,075	¥15,627	¥ 9,298	¥ 4,470	¥160,925		¥160,925
Intersegment sales or transfers	1,253	59	2,685	404	153	4,554	¥(4,554)	
Total	¥98,708	¥34,134	¥18,312	¥ 9,702	¥ 4,623	¥165,479	¥(4,554)	¥160,925
Segment profit (loss)	¥ 9,482	¥ 3,085	¥ 186	¥ (266)	¥ 205	¥ 12,692	¥ (57)	¥ 12,635
Segment assets	76,258	31,787	17,563	12,971	15,479	154,058	(1,364)	152,694
Segment liabilities	36,202	5,586	9,633	2,545	4,929	58,895	(3,841)	55,054
Other:								
Depreciation	4,092	2,301	1,049	523	221	8,186	(25)	8,161
Investment associated company under equity method								
Increase in property, plant and equipment and intangible assets	4,840	626	1,434	430	488	7,818	(46)	7,772

	Millions of Yen 2019							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	ASEAN	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥96,030	¥34,050	¥17,352	¥10,514	¥4,243	¥162,189		¥162,189
Intersegment sales or transfers	1,281	829	2,908	581	104	5,703	¥(5,703)	
Total	¥97,311	¥34,879	¥20,260	¥11,095	¥4,347	¥167,892	¥(5,703)	¥162,189
Segment profit (loss)	¥ 9,904	¥ 3,083	¥ 39	¥ (87)	¥ 23	¥ 12,962	¥ 24	¥ 12,986
Segment assets	85,589	29,857	20,233	14,258	3,309	153,246	(1,114)	152,132
Segment liabilities	37,397	5,994	11,850	3,036	1,793	60,070	(3,835)	56,235
Other:								
Depreciation	4,404	2,545	1,184	517	213	8,863	(26)	8,837
Investment associated company under equity method	3,649					3,649		3,649
Increase in property, plant and equipment and intangible assets	4,593	1,770	1,149	301	99	7,912	53	7,965

	Thousands of U.S. Dollars 2020							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	ASEAN	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$895,479	$313,103	$143,591	$ 85,436	$ 41,073	$1,478,682		$1,478,682
Intersegment sales or transfers	11,514	542	24,671	3,712	1,406	41,845	$(41,845)	
Total	$906,993	$313,645	$168,262	$ 89,148	$ 42,479	$1,520,527	$(41,845)	$1,478,682
Segment profit (loss)	$ 87,127	$ 28,347	$ 1,709	$ (2,444)	$ 1,883	$ 116,622	$ (523)	$ 116,099
Segment assets	700,708	292,079	161,380	119,186	142,231	1,415,584	(12,533)	1,403,051
Segment liabilities	332,647	51,328	88,514	23,385	45,291	541,165	(35,293)	505,872
Other:								
Depreciation	37,600	21,143	9,639	4,806	2,031	75,219	(230)	74,989
Investment associated company under equity method								
Increase in property, plant and equipment and intangible assets	44,473	5,752	13,177	3,951	4,484	71,837	(423)	71,414

Notes: 1. The major countries or areas belonging to classifications other than Japan:

Americas:	USA, Mexico
Europe:	United Kingdom, Netherlands, France, Spain, Poland
PAGO:	Switzerland, Germany, Italy
ASEAN:	Indonesia, Viet Nam, Thailand, India

2. Reconciliations

Reconciliation of segment profit of ¥58 million ($533,906 thousand) and ¥24 million for the years ended March 31, 2020 and 2019, respectively, was mainly composed of elimination of the inter-segment transaction, including unrealized gains.

Reconciliation of segment assets of ¥1,364 million ($12,533,070 thousand) and ¥1,114 million for the years ended March 31, 2020 and 2019, respectively, was mainly composed of offsetting of the receivables and the payables, investment account, and the capital account.

Reconciliation of segment liabilities of ¥3,840 million ($35,286,079 thousand) and ¥3,835 million for the years ended March 31, 2020 and 2019, respectively, was mainly composed of offsetting of the receivables and the payables.

Reconciliation of depreciation of ¥25 million ($233,447 thousand) and ¥26 million for the years ended March 31, 2020 and 2019, respectively, was mainly composed of elimination of the inter-segment transaction, including unrealized gains.

Reconciliation of increase in property, plant and equipment and intangible assets of ¥47 million ($434,733 thousand) and ¥53 million for the years ended March 31, 2020 and 2019, respectively, was mainly composed of elimination of unrealized gains.

Assets and liabilities in the ASEAN segment increased by ¥11,320 million ($104,015 thousand) and ¥2,781 million ($25,554 thousand) in connection with Fuji Seal Packaging (Thailand) Co., Ltd., previously an equity-method affiliate, becoming a wholly owned subsidiary.

(4) Information about Products and Services

	Millions of Yen						
	2020						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥90,582	¥1,200	¥23,035	¥18,492	¥14,543	¥13,073	¥160,925

	Millions of Yen						
	2019						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥90,584	¥1,565	¥24,878	¥17,750	¥14,613	¥12,799	¥162,189

	Thousands of U.S. Dollars						
	2020						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	$832,327	$11,026	$211,660	$169,916	$133,630	$120,123	$1,478,682

(5) Information about Geographical Areas

a. Sales

Millions of Yen				
2020				
Japan	Americas	Europe	Others	Total
¥97,222	¥34,132	¥24,543	¥5,028	¥160,925

Millions of Yen				
2019				
Japan	Americas	Europe	Others	Total
¥95,514	¥34,218	¥26,938	¥5,519	¥162,189

Thousands of U.S. Dollars				
2020				
Japan	Americas	Europe	Others	Total
$893,338	$313,627	$225,517	$46,200	$1,478,682

Note: Classification of countries or areas is based on a geographical adjacency.

The major countries or areas belonging to classifications other than Japan for the years ended March 31, 2020 and 2019 are:

Americas: USA, Canada, Mexico, Brazil, and other countries
Europe: EU countries and Switzerland
Others: ASEAN countries

Sales in Americas and Europe are classified as one section respectively, because of the difficulty to identify these sales in each country.

b. Property, plant and equipment

Millions of Yen							
2020							
	Americas			Europe			
Japan	Americas Total	United States	Mexico	Europe Total	Poland	Others	Total
¥26,576	¥12,388	¥6,780	¥5,608	¥12,763	¥6,356	¥6,126	¥57,853

Millions of Yen							
2019							
	Americas			Europe			
Japan	Americas Total	United States	Mexico	Europe Total	Poland	Others	Total
¥26,538	¥14,118	¥7,693	¥6,425	¥13,781	¥7,089	¥1,169	¥55,606

Thousands of U.S. Dollars							
2020							
	Americas			Europe			
Japan	Americas Total	United States	Mexico	Europe Total	Poland	Others	Total
$244,197	$113,829	$62,299	$51,530	$117,275	$58,403	$56,290	$531,591

(6) Information about Impairment Losses of Assets

	Millions of Yen						
	2020						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Impairment losses	¥433	¥	¥	¥334	¥	¥	¥767

	Millions of Yen						
	2019						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Impairment losses	¥	¥	¥684	¥24	¥145	¥	¥853

	Thousands of U.S. Dollars						
	2020						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Impairment losses	$3,979	$	$	$3,069	$	$	$7,048

(7) Information about Amortization of Goodwill and the Remaining Balance by Reportable Segment

	Millions of Yen						
	2020						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Amortization of goodwill	¥	¥	¥	¥	¥	¥	¥
Remaining balance	¥	¥	¥	¥	¥203	¥	¥203

	Millions of Yen						
	2019						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Amortization of goodwill	¥	¥	¥	¥	¥	¥	¥
Remaining balance	¥	¥	¥	¥	¥	¥	¥

	Thousands of U.S. Dollars						
	2020						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Amortization of goodwill	$	$	$	$	$	$	$
Remaining balance	$	$	$	$	$1,865	$	$1,865

(8) Information about Major Customers

Information about major customers is not disclosed because there is no customer who accounts for 10% or more of total sales to external customers in the consolidated statement of income.

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