FINANCIAL REPORT 2019

EBARA CORPORATION
For the Fiscal Year Ended December 31, 2019

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Independent Auditor's Report

Financial Review

Overview of Management Performance

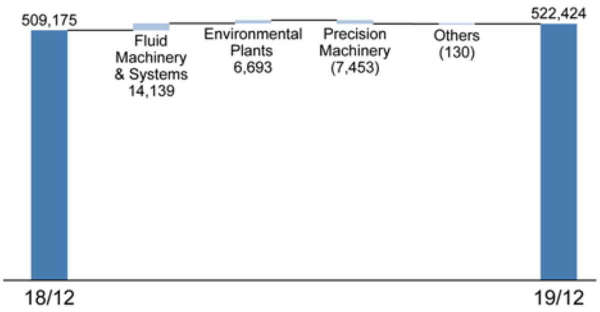
During the fiscal year ended December 31, 2019, in the global economy, investment continued at a certain level in the oil and gas market. Although investment in the semiconductor market was stagnant, there were movements of resuming capital investment partly. In Japan, public investment was firm, and private capital investment ran at the same level as in a typical year. Overall, market conditions remained steady.

As a result, orders received were level with last year due to decreases in the Environmental Plants (“EP”) Business and the Precision Machinery (“PM”) Business, despite an increase in the Fluid Machinery & Systems (“FMS”) Business. Sales were level with last year due to increases in the FMS Business and the EP Business despite a decrease in the PM Business. Operating income increased compared to last year due to increases in the FMS Business and the EP Business despite a decrease in the PM Business.

Consolidated net sales for the fiscal year ended December 31, 2019 amounted to ¥522,424 million (an increase of 2.6% year-on-year), operating income amounted to ¥35,298 million (an increase of 8.7% year-on-year), and profit attributable to owners of parent amounted to ¥23,349 million (an increase of 27.9% year-on-year).

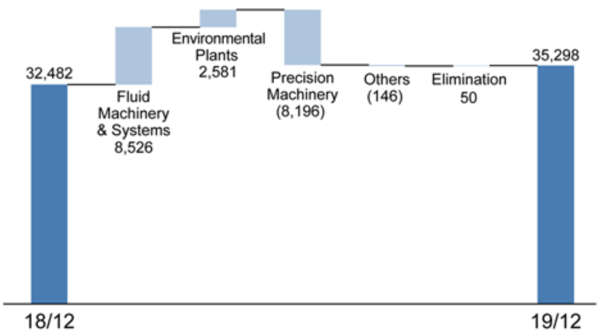
Net Sales

Millions of yen



Operating Income

Millions of yen



Financial Position

Assets

Total assets as of December 31, 2019 were ¥595,239 million, ¥3,657 million higher than as of December 31, 2018. Principal changes in asset items included a decrease of ¥17,166 million in cash on hand and in banks and securities, an increase of ¥11,508 million in buildings and structures and an increase of ¥6,107 million in construction in progress. The increases in buildings and structures and construction in progress were mainly due to growth investments such as the addition of domestic factories in the PM Business.

Assets by business segment are ¥313,032 million in the FMS Business (an increase of ¥2,836 million year-on-year), ¥52,418 million in the EP Business (an increase of ¥10,285 million year-on-year), ¥141,909 million in the PM Business (an increase of ¥10,736 million year-on-year) and ¥27,257 million in the Others (an increase of ¥1,758 million year-on-year).

Liabilities

Total liabilities as of December 31, 2019 were ¥303,411 million, ¥1,392 million lower than as of December 31, 2018. Principal changes in liability items included an increase of ¥7,183 million in current liabilities (accrued expenses and other current liabilities), a decrease of ¥3,007 million in electronically recorded obligations, a decrease of ¥2,740 million in notes and accounts payable-trade, and a decrease of ¥2,390 million in long-term debt.

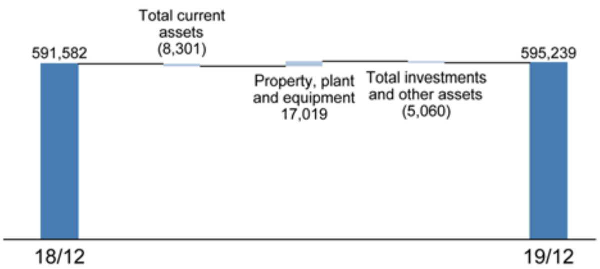
Net Assets

Net assets as of December 31, 2019 amounted to ¥291,827 million, ¥5,049 million higher than as of December 31, 2018. Principal changes affecting net asset items were profit attributable to owners of parent of ¥23,349 million, purchase of treasury shares of ¥15,004 million, cash dividends paid of ¥5,877 million. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥283,651 million, and equity ratio was 47.7%.

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended December 31, 2019. Regarding the financial position, figures as of the end of the previous fiscal year have been retroactively reclassified for comparison.

Total Assets

Millions of yen



Cash Flows

Net cash provided by operating activities amounted to a net inflow of ¥26,720 million for the fiscal year ended December 31, 2019, a decrease of ¥7,890 million in a net inflow compared to last year. This is primarily due to the strong performance of the FMS Business.

Net cash used in investing activities amounted to a net outflow of ¥24,077 million for the fiscal year ended December 31, 2019, an increase of ¥8,149 million in a net outflow compared to last year. This primarily reflected growth investments such as the addition of domestic factories in the PM Business.

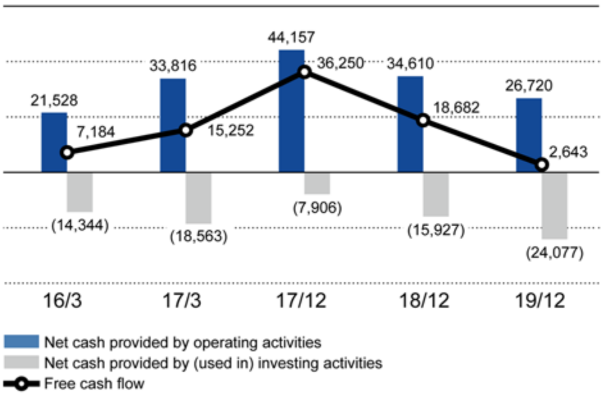
Free cash flow, the sum of cash flows from operating and investing activities, amounted to a net inflow of ¥2,643 million for the fiscal year ended December 31, 2019, a decrease of ¥16,039 million in a net inflow compared to last year.

Net cash used in financing activities amounted to a net outflow of ¥20,188 million for the fiscal year ended December 31, 2019, a decrease of ¥26,223 million in a net outflow compared to last year. This primarily reflected net purchase of treasury shares of ¥15,004 million, and cash dividends paid of ¥5,877 million.

As a result, cash and cash equivalents as of December 31, 2019 amounted to ¥93,351 million, ¥17,205 million lower than as of December 31, 2018.

Cash Flows

Millions of yen



Capital Expenditures

Regarding investments, during the fiscal year, the Group implemented capital expenditures amounting to ¥34,369 million. These were primarily for the expansion of production capability and the installation of equipment to enhance productivity. In addition to property, plant and equipment, investment amounts include investments in intangible fixed assets.

Principal capital expenditures by business segment were as follows. Please note that these investment figures include intersegment transactions.

Fluid Machinery & Systems Business

Investments were made primarily for the enhancement of production capability and productivity, and the amount of capital investment during the fiscal year was ¥10,906 million.

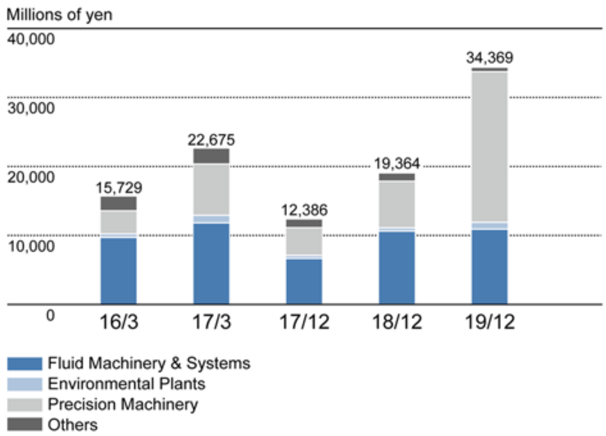
Environmental Plants Business

Investments were made primarily for information technology equipment and for the development of technology aimed at improving functionality. Investments by this segment totaled ¥989 million.

Precision Machinery Business

Investments were made primarily for the enhancement of production capacity. Investments by this segment totaled ¥21,837 million.

Capital Expenditures



Financing

Ebara Corporation (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) will make effective use of not only internal funds, mainly operating cash flow, but also external funds, such as borrowings from financial institutions and the issuance of bonds, to fund working capital and investment funds for growth required for business operations. The debt to equity ratio is set at 0.3 to 0.5 to reduce the cost of capital and improve capital efficiency.

The Company intends to control the liquidity of its funds within an appropriate level, targeting two months of consolidated net sales. In addition, we have concluded commitment line contracts and other agreements to deal with financial risks, thereby ensuring liquidity on hand. In order to increase the efficiency of funds within the Group, the Company has a system in place to concentrate funds on ourselves.

Alternative liquidity

Overdraft contracts ¥5,000 million

Commitment line contracts ¥45,000 million

The Company had no borrowings from these sources as of December 31, 2019.

R&D Expenses

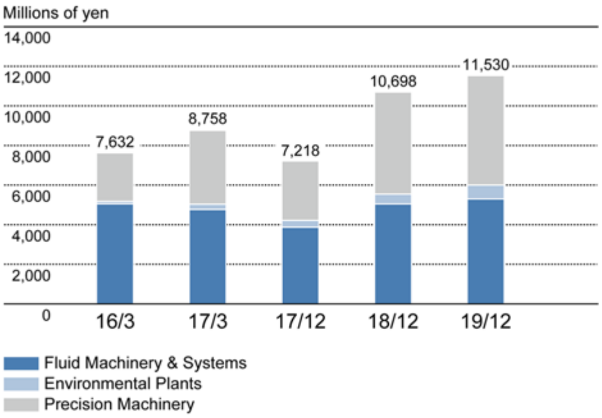
The Group's R&D expenditures are focused on four major categories of R&D activities for creating high levels of value:

(1) R&D for developing common fundamental technology to establish the competitiveness that underpins operations and for combining this technology to create core product technology
(2) R&D for discovery and practical application of seed technology based on a medium-to-long-term perspective
(3) R&D for expanding current technology, seeking practical applications for new technology, and applying such technologies to new products
(4) R&D for improving existing products

In regard to the first two categories, the corporate R&D organization played a central role in advancing R&D, working closely with in-house companies and pursuing joint research with universities and other outside research bodies. In addition, during the fiscal year ended December 31, 2019, the Group continued initiatives for collaborating with small to medium-sized companies possessing unique technologies. As for the third and fourth categories, individual business divisions and Group companies led the initiatives. Furthermore, in the fields that do not fall under the above categories, we implemented Ebara Innovation for "X" (EIX), a research system which was launched to create new businesses, moving ahead with process innovations and beginning to utilize the outcomes created by this system.

R&D expenses amounted to ¥11,530 million during the fiscal year under review.

R&D Expenses



Activities by business segment are as follows:

Fluid Machinery & Systems (FMS) Business

In the Fluid Machinery & Systems Business, the FMS Company bolstered product lineups and strengthened product appeal, sometimes through coordination with overseas Group companies, subsequently launching new products for the global market. Specific areas targeted in this undertaking included those that promise ongoing medium-to-long-term growth, such as water infrastructure, energy (electricity, oil, and gas), and building equipment.

In standard pumps, the FMS Company continued to develop product lineups designed to conserve energy and resources and contribute to reduced environmental footprints, and launched a new water supply unit with a PM motor containing a built-in inverter to offer greater customer convenience. In custom pumps, the FMS Company launched high-capacity mixed flow pumps offering higher speeds in more compact sizes and canned motor pumps that eliminate the risk of leakage, continuing its efforts to develop product lineups in the energy and water usage fields that are designed to conserve energy and resources and contribute to reduced environmental footprints. In the compressor and turbine field, the FMS Company continued to develop new high-efficiency turbines that contribute to conserving energy and resources. In the chillers business, in order to address the rising need for reduced environmental impacts, the FMS Company expanded its lineup of products using this technology, as well as their scope of application.

In relation to basic technology, the Group coordinated with the internal research organization and continued its efforts to develop new basic production technologies for use in materials processing, welding, surface modification, and processing. The Group also continued efforts to increase developmental throughput and standardize related processes by utilizing numerical simulation technologies and new optimization techniques. The FMS Company also proceeded to enhance testing foundation technologies while developing and applying Internet of Things (IoT) technologies for supporting product life cycles, all technologies that contribute to higher product performance and reliability. Of these basic technologies, the basic production technologies were developed using the EIX system, and the others were carried out through coordination with the R&D organization.

The FMS Company made expenditures on R&D amounting to ¥5,298 million during the fiscal year ended December 31, 2019.

Environmental Plants (EP) Business

In the Environmental Plants Business, the EP Company is engaged in design, build, and operate (DBO) services for waste processing facilities, which entail providing engineering, procurement, and construction (EPC) and operation and maintenance (O&M) services on a comprehensive, long-term basis. The EP Company is also developing facility lifetime-lengthening operations in which the EP Company makes proposals for extending the lifespan of existing facilities as well as long -term comprehensive management contract operations in which the EP Company receives contracts for long-term O&M services at existing facilities.

In these businesses, current conditions require ever greater abilities to propose solutions, higher quality, and stronger cost competitiveness. In light of these conditions, the Group is developing new products and technologies that contribute to the strengthening of facilities' functionality through upgrades and to reducing life cycle costs. At the same time, the Group's development activities include improving repair, maintenance, and operating technologies as well as utilizing the artificial intelligence and the IoT that support these endeavors. In addition, the Group is working to develop element technologies for improving power generation efficiency and operational stability, with the expectation of higher demand for power generation facilities fueled by biomass or waste plastic, as a form of renewable energy. Furthermore, the EP Company has begun examining the chemical recycling of waste plastics using gasification technology in order to contribute to the solution of climate change and waste plastics, which are important issues worldwide.

The EP Company made expenditures on R&D amounting to ¥703 million during the fiscal year ended December 31, 2019.

Precision Machinery (PM) Business

In the Precision Machinery Business, the PM Company is developing new processing equipment and improving existing equipment to manufacture semiconductor devices that are compatible with development requirements not only for the miniaturization of chips and three-dimensional integration, but also for new packaging technology, an area of increasing importance. The PM Company is also tailoring these efforts to the technology development requirements projected for the artificial intelligence and the IoT market. As for component products, the PM Company is developing products that can further contribute to energy savings and reduced environmental footprints. Also, the PM Company is continuing research on next-generation semiconductor processing technologies through joint development and consortia with customers and joint research with prominent universities.

The PM Company made expenditures on R&D amounting to ¥5,528 million during the fiscal year ended December 31, 2019.

Business Risks

In formulating our Long-term Vision "E-Vision2030" and Medium-term Management Plan "E-Plan2022," we analyze risks related to the Group's business and other activities through scenario-based planning to examine medium-to long-term social conditions and changes in the market environment.

With regard to risks surrounding our Group, we regularly conduct company-wide risk assessments to analyze the possibility of occurrence, the degree of impact, and the remaining risks after countermeasures are taken, out of the risks that could be anticipated in light of the business characteristics of the Group..

(1) Risk of fluctuations as a long-term trend

	Items	Details of Risks	The Group's Measures
1	Global environment and climate change	Changes in the business environment caused by the following events ・Changes in economic conditions due to the impact of global warming ・Severe natural disasters such as typhoons and wildfires	・Forecast of risks and opportunities and implementation of countermeasures based on long-term and diverse scenario analysis ・Preparation and training for business continuity plans in the event of a disaster
2	Rapid advance of globalization	・The possibility of unexpected losses and harmful damages due to lack of knowledge and management experience about overseas transactions and base management	・Thorough implementation of Group governance and internal control ・Human resource development on a Global basis
3	Decline in the working-age population in Japan	・Shortage of successors and supply chain risks in the manufacturing industry as a whole ・Risk of failure to succeed technologies and expertise within the Group	・Securing human resources on a Global basis and optimizing the supply chain ・Promotion of organizational explicit knowledge

(2) Short-term volatility risk

	Items	Details of Risks	The Group's Measures
1	Political factors	・Occurring of unexpected restrictions and expenses in business activities due to the impact of intense U.S.-China friction, conflict in the Middle East and Brexit on business conditions and trade	・Building a supply chain and a value chain considering risks on a global basis
2	Sudden outbreaks of natural disasters and the spread of infectious diseases	Risks that may result in loss of employee life, or interfere with business continuity and profitability due to the following events ・Earthquakes, volcanic eruptions, etc. ・Explosive spread of infectious diseases	・Preliminary estimates and preparations for business continuity plans utilizing the global network ・Promoting efficient and flexible working styles ・Implementation of measures to prevent contagion and spread of disease in cooperation with industrial physicians (for infectious diseases)
3	Currency fluctuations	・Increasing costs due to the difference between forecast and actual results caused by exchange rate fluctuations	・Appropriate currency risk hedges, such as foreign exchange contracts and foreign currency borrowings

(3) Face-to-face market and risks by business segment

<table>
<tr><th></th><th>Items</th><th>Details of Risks</th><th>The Group's Measures</th></tr>
<tr><td>1</td><td>Oil and gas market :
Fluid Machinery & Systems (Pumps and Compressors & Turbines)</td><td rowspan="2">Significant fluctuations in demand due to changes in market conditions and price levels due to market oligopolization have a sudden impact on earnings.

・Earnings squeezed due to a surplus of production capacity caused by a decline in orders received and sales prices during an economic downturn.
・Risk associated with a decline in market share caused by a shortage of production capacity, including due to supply chains, during an economic upturn</td><td rowspan="2">・Resource management with high prediction accuracy by confirming leading indicators, etc.
・Lower break-even point due to efficiency improvement, such as shorter lead-time and automations of design and manufacturing</td></tr>
<tr><td>2</td><td>Semiconductor market :
Precision Machinery</td></tr>
<tr><td>3</td><td>Domestic construction equipment market :
Fluid Machinery & Systems (Pumps and Chillers)</td><td>・Profit deterioration due to the shrinking market caused by the decline in demand after the Olympics</td><td rowspan="2">・To secure a competitive advantage by differentiating itself through product development, focusing on the S&S business, and cutting costs through greater operational efficiency
・Shifting resources to the Global market
・Continuous compliance education and internal audits</td></tr>
<tr><td>4</td><td>Project for the public sector :
Environmental Plants</td><td>・Decrease in orders received due to consolidation and abolishment of public facilities caused by a decline in the domestic population
・Concerns over shortage of human resources in facility operations due to the shrinking labor market
・Compliance problems caused by involvement in government bid rigging</td></tr>
</table>

The Group recognizes the possibility of risk and strives to prevent it from occurring and to respond in the event that it occurs.

Others

1. Litigation

(Progress of Dispute Regarding Fire Accident at Bulky Waste Treatment Facility at the Gifu City Eastern Clean Center)

On October 23, 2015, a fire broke out at the bulky waste treatment facility at the Gifu City Eastern Clean Center, which is located in the Akutami section of Gifu City in Gifu Prefecture, when Ebara Environmental Plant Co., Ltd. ("EEP"), the Company's consolidated subsidiary, was making repairs on the facility. EEP is responsible for the operation and management of a waste incinerating facility that is located adjacent to the bulky waste treatment facility where the fire occurred.

Regarding this incident, while the Company had been discussing with Gifu City the compensation for related damages, a lawsuit against EEP was filed by Gifu City at the Gifu District Court on January 31, 2019 claiming compensation for damages of ¥4,362 million and late charges for such compensation. Furthermore, Gifu City amended its amount of the compensation claim for damages to ¥4,474 million and late charges for such compensation on July 22, 2019, and EEP received the amended petition pertaining to this lawsuit on July 25, 2019. At this time, it is not possible to make a reasonable estimate of the effect of this incident on the Group's consolidated financial results.

2. Spread of new coronavirus infections

As of March 25, 2020, some overseas subsidiaries of our Group have ceased operation at the request of local governments due to the spread of new coronavirus infections.

Regarding the status of overseas factories, the Philippine factories (March 18-April 12, 2020) and Italian factories (March 23-April 3, 2020), which are production bases for pumps, have been shut down at the request of the government. All factories in China have resumed operations. In some countries, such as countries in Europe and the United States, the operating rate of some factories has fallen due to government and municipal curfews, but they are continuing to operate.

Although the situation at domestic plants is partially affected by the stagnation of parts supply from overseas, all plants continue to be operational.

It is difficult to reasonably estimate the impact of such events on consolidated results at this time.

Consolidated Financial Statements

Consolidated Balance Sheet

EBARA CORPORATION and Consolidated Subsidiaries
As of December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2019/12**	2018/12	**2019/12**
Current assets:			
Cash on hand and in banks and securities	**¥95,112**	¥112,278	**$868,127**
Notes and accounts receivable trade	**182,944**	176,895	**1,669,806**
Electronically recorded monetary claims	**9,218**	6,990	**84,137**
Allowance for doubtful accounts	**(2,107)**	(3,308)	**(19,231)**
Inventories (Note 4)	**121,101**	122,660	**1,105,340**
Other current assets	**15,659**	14,714	**142,926**
Total current assets	**¥421,929**	¥430,230	**$3,851,123**
Property, plant and equipment:			
Land	**¥19,607**	¥19,810	**$178,961**
Buildings and structures	**125,270**	113,762	**1,143,392**
Machinery, equipment and vehicles	**137,859**	133,684	**1,258,297**
Lease assets (Note 12)	**4,353**	3,901	**39,732**
Construction in progress	**13,665**	7,558	**124,726**
Other	**39,991**	39,299	**365,015**
	340,747	318,017	**3,110,141**
Accumulated depreciation	**(215,848)**	(210,138)	**(1,970,135)**
Property, plant and equipment, net (Note 5)	**¥124,898**	¥107,879	**$1,139,996**
Investments and other assets:			
Investment securities (Note 14)	**¥7,118**	¥10,576	**64,969**
Investments in and advances to subsidiaries and affiliates	**12,703**	12,548	**115,946**
Long-term loans receivable	**144**	153	**1,314**
Deferred tax assets (Note 18)	**9,475**	12,870	**86,482**
Defined benefit asset (Note 16)	**5,017**	3,038	**45,792**
Other investments	**8,487**	8,172	**77,464**
Other assets	**10,906**	11,297	**99,544**
Allowance for doubtful accounts	**(5,442)**	(5,187)	**(49,671)**
Total investments and other assets	**¥48,411**	¥53,471	**$441,867**
Total assets	**¥595,239**	¥591,582	**$5,432,996**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
LIABILITIES AND NET ASSETS	**2019/12**	2018/12	**2019/12**
Current liabilities:			
Short-term loans payable (Notes 5 and 7)	**¥46,169**	¥44,764	**$421,404**
Current portion of long-term debt (Notes 5 and 7)	**4,795**	2,001	**43,766**
Notes and accounts payable trade	**60,580**	63,320	**552,939**
Electronically recorded obligations	**59,847**	62,854	**546,249**
Accrued income taxes	**3,233**	4,598	**29,509**
Lease obligations	**658**	707	**6,006**
Provision for warranties for completed construction	**3,369**	4,873	**30,750**
Provision for product warranties	**3,658**	5,118	**33,388**
Provision for construction losses	**12,901**	12,374	**117,753**
Provision for expenses related to the sales of land	—	254	—
Accrued expenses and other current liabilities	**64,866**	57,683	**592,059**
Total current liabilities	**¥260,082**	¥258,550	**$2,373,877**
Long-term liabilities:			
Long-term debt (Notes 5 and 7)	**¥28,340**	¥30,730	**$258,671**
Lease obligations	**1,021**	933	**9,319**
Provision for directors' retirement benefits	**107**	116	**977**
Defined benefit liability (Note 16)	**9,362**	10,681	**85,451**
Deferred tax liabilities (Note 18)	**504**	14	**4,600**
Asset retirement obligations	**2,401**	2,245	**21,915**
Other long-term liabilities	**1,590**	1,531	**14,513**
Total long-term liabilities	**¥43,328**	¥46,253	**$395,473**
Net assets (Note 10)**:**			
Shareholders' equity:			
Common shares:			
Authorized: 200,000,000 shares			
Issued: 95,129,853 shares at December 31, 2019 and 101,957,853 shares at December 31, 2018	**¥79,155**	¥79,066	**$722,481**
Capital surplus	**74,848**	80,296	**683,169**
Retained earnings	**141,675**	135,715	**1,293,127**
Treasury shares:			
5,784 shares at December 31, 2019 and 1,933,423 shares at December 31, 2018	**(174)**	(5,439)	**(1,588)**
Total shareholders' equity	**¥295,504**	¥289,639	**$2,697,189**
Accumulated other comprehensive income:			
Net unrealized gains (losses) on investment securities	**233**	381	**2,127**
Deferred gains (losses) on hedges	**(24)**	(57)	**(219)**
Translation adjustments	**(2,891)**	(1,226)	**(26,387)**
Remeasurements of defined benefit plans	**(9,168)**	(9,096)	**(83,680)**
Total accumulated other comprehensive income	**¥(11,852)**	¥(9,999)	**$(108,178)**
Subscription rights to shares	**1,132**	1,152	**10,332**
Non-controlling interests	**7,043**	5,985	**64,284**
Total net assets	**¥291,827**	¥286,778	**$2,663,627**
Total liabilities and net assets	**¥595,239**	¥591,582	**$5,432,996**

Consolidated Statement of Income

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/12	2018/12	**2019/12**
Net sales	**¥522,424**	¥509,175	**$4,768,383**
Cost of sales	**385,736**	376,021	**3,520,774**
Gross profit	**136,688**	133,154	**1,247,609**
Selling, general and administrative expenses	**101,389**	100,672	**925,420**
Operating income	**35,298**	32,482	**322,180**
Other income (expenses):			
Interest and dividends income	**596**	1,064	**5,440**
Interest expenses	**(1,444)**	(1,517)	**(13,180)**
Gain (loss) on sales of securities, net	**569**	803	**5,194**
Loss on valuation of securities and other investments	**(2)**	(22)	**(18)**
Gain (loss) on sales and retirement of fixed assets, net	**159**	(746)	**1,451**
Impairment loss (Note 8)	**(1,112)**	(2,627)	**(10,150)**
Provision for legal expenses	**—**	(1,257)	**—**
Other, net	**1,120**	(875)	**10,223**
	(113)	(5,179)	**(1,031)**
Income before income taxes	**35,184**	27,303	**321,139**
Income taxes (Note 18):			
Current taxes	**7,268**	7,148	**66,338**
Deferred tax expenses (benefits)	**2,777**	468	**25,347**
	10,045	7,617	**91,685**
Profit	**25,139**	19,685	**229,454**
Profit attributable to non-controlling interests	**1,789**	1,423	**16,329**
Profit attributable to owners of parent	**¥23,349**	¥18,262	**$213,116**

	Yen		U.S. dollars
Per share of common stock:			
Profit attributable to owners of parent	**¥241.79**	¥179.94	**$2.207**
Fully diluted profit attributable to owners of parent	**240.57**	178.99	**2.196**
Cash dividends (Note 10)	**60.00**	60.00	**0.548**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/12	2018/12	2019/12
Profit	**¥25,139**	¥19,685	**$229,454**
Other comprehensive income:			
Net unrealized gains (losses) on investment securities	**(194)**	(2,185)	**(1,771)**
Deferred gains (losses) on hedges	**32**	(68)	**292**
Translation adjustments	**(1,758)**	(4,060)	**(16,046)**
Remeasurements of defined benefit plans	**1,764**	(958)	**16,101**
Share of other comprehensive income of associates accounted for using equity method	**60**	81	**548**
Total other comprehensive income (Note 9)	**¥(95)**	¥(7,192)	**$(867)**
Comprehensive income:	**¥25,043**	¥12,493	**$228,578**
Total comprehensive income attributable to:			
Owners of parent	**¥23,299**	¥11,257	**$212,660**
Non-controlling interests	**1,744**	1,236	**15,918**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended December 31, 2019 and 2018

		Millions of yen				
		Shareholders' equity				
	Number of shares issued	Common shares	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2019	101,957,853	¥79,066	¥80,296	¥135,715	¥(5,439)	¥289,639
Cumulative effects of changes in accounting principle				424		424
Restated balance		79,066	80,296	136,140	(5,439)	290,063
Changes during the fiscal year						
Issuance of new shares	(6,828,000)	88	88			176
Cash dividends				(5,877)		(5,877)
Profit attributable to owners of parent				23,349		23,349
Change of scope of consolidation				947		947
Purchase of treasury shares					(15,004)	(15,004)
Disposal of treasury shares			(0)		0	0
Cancellation of treasury shares			(5,536)	(14,733)	20,269	—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Cumulative effects of changes in US GAAP related to US Tax Reform Act				1,848		1,848
Net changes of items other than shareholders' equity						—
Total changes during the fiscal year	(6,828,000)	88	(5,448)	5,535	5,264	5,440
Balance at December 31, 2019	95,129,853	¥79,155	¥74,848	¥141,675	¥(174)	¥295,504

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at January 1, 2019	¥381	¥(57)	¥(1,226)	¥(9,096)	¥(9,999)	¥1,152	¥5,985	¥286,778
Cumulative effects of changes in accounting principle								424
Restated balance	381	(57)	(1,226)	(9,096)	(9,999)	1,152	5,985	287,202
Changes during the fiscal year								
Issuance of new shares								176
Cash dividends								(5,877)
Profit attributable to owners of parent								23,349
Change of scope of consolidation								947
Purchase of treasury shares								(15,004)
Disposal of treasury shares								0
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests								—
Cumulative effects of changes in US GAAP related to US Tax Reform Act								1,848
Net changes of items other than shareholders' equity	(148)	32	(1,665)	(71)	(1,852)	(20)	1,057	(815)
Total changes during the fiscal year	(148)	32	(1,665)	(71)	(1,852)	(20)	1,057	4,625
Balance at December 31, 2019	¥233	¥(24)	¥(2,891)	¥(9,168)	¥(11,852)	¥1,132	¥7,043	¥291,827

The accompanying notes are an integral part of these statements.

		Thousands of U.S. dollars (Note 3)				
		Shareholders' equity				
	Number of shares issued	Common shares	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2019	101,957,853	$721,668	$732,895	$1,238,728	$(49,644)	$2,643,656
Cumulative effects of changes in accounting principle				**3,870**		**3,870**
Restated balance		**721,668**	**732,895**	**1,242,607**	**(49,644)**	**2,647,526**
Changes during the fiscal year						
Issuance of new shares	**(6,828,000)**	**803**	**803**			**1,606**
Cash dividends				**(53,642)**		**(53,642)**
Profit attributable to owners of parent				**213,116**		**213,116**
Change of scope of consolidation				**8,644**		**8,644**
Purchase of treasury shares					**(136,948)**	**(136,948)**
Disposal of treasury shares			**(0)**		**0**	**0**
Cancellation of treasury shares			**(50,529)**	**(134,474)**	**185,004**	—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Cumulative effects of changes in US GAAP related to US Tax Reform Act				**16,867**		**16,867**
Net changes of items other than shareholders' equity						—
Total changes during the fiscal year	**(6,828,000)**	**803**	**(49,726)**	**50,520**	**48,047**	**49,653**
Balance at December 31, 2019	**95,129,853**	**$722,481**	**$683,169**	**$1,293,127**	**$(1,588)**	**$2,697,189**

	Thousands of U.S. dollars (Note 3)							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at January 1, 2019	$3,478	$(520)	$(11,190)	$(83,023)	$(91,265)	$10,515	$54,628	2,617,543
Cumulative effects of changes in accounting principle								**3,870**
Restated balance	**3,478**	**(520)**	**(11,190)**	**(83,023)**	**(91,265)**	**10,515**	**54,628**	**2,621,413**
Changes during the fiscal year								
Issuance of new shares								**1,606**
Cash dividends								**(53,642)**
Profit attributable to owners of parent								**213,116**
Change of scope of consolidation								**8,644**
Purchase of treasury shares								**(136,948)**
Disposal of treasury shares								**0**
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests								—
Cumulative effects of changes in US GAAP related to US Tax Reform Act								**16,867**
Net changes of items other than shareholders' equity	**(1,351)**	**292**	**(15,197)**	**(648)**	**(16,904)**	**(183)**	**9,648**	**(7,439)**
Total changes during the fiscal year	**(1,351)**	**292**	**(15,197)**	**(648)**	**(16,904)**	**(183)**	**9,648**	**42,214**
Balance at December 31, 2019	**$ 2,127**	**$(219)**	**$(26,387)**	**$(83,680)**	**$(108,178)**	**$10,332**	**$ 64,284**	**$2,663,627**

		Millions of yen				
		Shareholders' equity				
	Number of shares issued	Common shares	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2018	101,783,253	¥78,815	¥81,256	¥121,321	¥(431)	¥280,962
Cumulative effects of changes in accounting principle						—
Restated balance		78,815	81,256	121,321	(431)	280,962
Changes during the fiscal year						
Issuance of new shares	174,600	251	251			502
Cash dividends				(4,575)		(4,575)
Profit attributable to owners of parent				18,262		18,262
Change of scope of consolidation				707		707
Purchase of treasury shares					(5,008)	(5,008)
Disposal of treasury shares						—
Cancellation of treasury shares						—
Change in ownership interest of parent due to transactions with non-controlling interests			(1,211)			(1,211)
Cumulative effects of changes in US GAAP related to US Tax Reform Act						—
Net changes of items other than shareholders' equity						—
Total changes during the fiscal year	174,600	251	(960)	14,393	(5,008)	8,676
Balance at December 31, 2018	101,957,853	¥79,066	¥80,296	¥135,715	¥(5,439)	¥289,639

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at January 1, 2018	¥2,564	¥10	¥2,628	¥(8,210)	¥(3,007)	¥1,163	¥5,668	¥284,788
Cumulative effects of changes in accounting principle								—
Restated balance	2,564	10	2,628	(8,210)	(3,007)	1,163	5,668	284,788
Changes during the fiscal year								
Issuance of new shares								502
Cash dividends								(4,575)
Profit attributable to owners of parent								18,262
Change of scope of consolidation								707
Purchase of treasury shares								(5,008)
Disposal of treasury shares								—
Cancellation of treasury shares								—
Change in ownership interest of parent due to transactions with non-controlling interests								(1,211)
Cumulative effects of changes in US GAAP related to US Tax Reform Act								—
Net changes of items other than shareholders' equity	(2,182)	(68)	(3,854)	(885)	(6,992)	(11)	317	(6,686)
Total changes during the fiscal year	(2,182)	(68)	(3,854)	(885)	(6,992)	(11)	317	1,989
Balance at December 31, 2018	¥381	¥(57)	¥(1,226)	¥(9,096)	¥(9,999)	¥1,152	¥5,985	¥286,778

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended December 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/12	2018/12	2019/12
Cash Flows from Operating Activities:			
Income before income taxes	**¥35,184**	¥27,303	**$321,139**
Depreciation and amortization	**15,132**	15,266	**138,116**
Impairment loss	**1,112**	2,627	**10,150**
Loss (gain) on sales of securities and investment securities	**(569)**	(803)	**(5,194)**
Increase (decrease) in provisions	**(3,110)**	48	**(28,386)**
Increase (decrease) in net defined benefit liability	**(1,009)**	(2,571)	**(9,210)**
Loss (gain) on sales of fixed assets	**(362)**	(81)	**(3,304)**
Interest and dividends income	**(596)**	(1,064)	**(5,440)**
Interest expenses	**1,444**	1,517	**13,180**
Decrease (increase) in notes and accounts receivable trade	**(8,457)**	(10,674)	**(77,191)**
Decrease (increase) in inventories	**1,192**	(14,854)	**10,880**
Increase (decrease) in notes and accounts payable trade	**(4,963)**	6,774	**(45,299)**
Increase/decrease in other assets/liabilities	**373**	15,795	**3,405**
Other loss (gain)	**(258)**	563	**(2,355)**
Subtotal	**35,111**	39,847	**320,473**
Interest and dividends received	**588**	1,064	**5,367**
Interest expenses paid	**(1,429)**	(1,529)	**(13,043)**
Income taxes paid	**(7,550)**	(4,771)	**(68,912)**
Net cash provided by operating activities	**26,720**	34,610	**243,885**
Cash Flows from Investing Activities:			
Purchase of fixed assets	**(28,040)**	(18,570)	**(255,933)**
Proceeds from sales of fixed assets	**540**	1,738	**4,929**
Purchase of securities and investment securities	**(3,678)**	(4,578)	**(33,571)**
Proceeds from sales and redemption of securities and investment securities	**7,115**	5,568	**64,942**
Payments into time deposits	**(2,055)**	(1,946)	**(18,757)**
Proceeds from withdrawal of time deposits	**2,041**	1,902	**18,629**
Payments of loans receivable	**(101)**	(155)	**(922)**
Collection of loans receivable	**29**	167	**265**
Others	**71**	(54)	**648**
Net cash used in investing activities	**(24,077)**	(15,927)	**(219,761)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	**1,874**	(22,498)	**17,105**
Proceeds from long-term loans payable	**2,585**	689	**23,594**
Repayment of long-term loans payable	**(2,108)**	(2,462)	**(19,241)**
Redemption of bonds	—	(10,000)	—
Proceeds from issuance of common shares	**0**	0	**0**
Proceeds from disposal of treasury shares	**0**	—	**0**
Purchase of treasury shares	**(15,004)**	(5,008)	**(136,948)**
Cash dividends paid	**(5,877)**	(4,575)	**(53,642)**
Cash dividends paid to non-controlling interests	**(687)**	(414)	**(6,271)**
Payments from changes in ownership interests in subsidiaries and from purchase of investment in capital that do not result in change in scope of consolidation	—	(1,333)	—
Others	**(970)**	(809)	**(8,854)**
Net cash used in financing activities	**(20,188)**	(46,412)	**(184,264)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(346)**	(1,324)	**(3,158)**
Increase (Decrease) in Cash and Cash Equivalents	**(17,891)**	(29,054)	**(163,299)**
Cash and Cash Equivalents:			
At the beginning of the fiscal year:			
Balance brought forward	**110,556**	139,102	**1,009,091**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**686**	507	**6,261**
At the end of the fiscal year (Note 11)	**¥93,351**	¥110,556	**$852,054**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

EBARA CORPORATION and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The Company and its subsidiaries maintain their records and prepare their statutory financial statements in accordance with generally accepted accounting principles in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile, which are substantially equivalent to generally accepted accounting principles in the United States or International Financial Reporting Standards (IFRS). The accompanying consolidated financial statements were also prepared in accordance with generally accepted accounting principles in Japan.

Certain amounts in the prior year's financial statements have been restated to conform to the current year's presentation.

Amounts of less than one million yen have been rounded down to the nearest million yen and amounts of less than one thousand U.S. dollars have been rounded off to the nearest thousand U.S. dollars respectively in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of certain of its subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation.

As of December 31, 2019, the numbers of consolidated subsidiaries, non-consolidated subsidiaries that applied the equity method, and affiliated companies that applied the equity method were 65, 0, and 1 (60, 0, and 1 on December 31, 2018), respectively.

For affiliated companies accounted for using the equity method with fiscal year-ends that differ from the consolidated balance sheet date, financial statements prepared based on provisional calculations performed as of the consolidated balance sheet date are used when preparing consolidated financial statements.

The differences, at the time of acquisition or new consolidation, between the cost and underlying net equity of investments in consolidated subsidiaries are included in other assets and are amortized on a straight-line basis over a reasonable estimated period of time no greater than 20 years in respect of each particular difference. Differences deemed immaterial may be recognized in profit or loss of the period in which they arise.

The fiscal year-end of consolidated subsidiaries is the same as the consolidated fiscal year-end.

Foreign currency translation

Foreign currency denominated trade receivables and payables are translated into yen at the rate prevailing at the balance sheet date. Investments are translated into yen at the exchange rates prevailing at the time the transactions occur.

Assets and liabilities of foreign consolidated subsidiaries are translated into yen at the appropriate year-end rates. Revenue, expenses, and net income of these companies are also translated into yen at the appropriate year-end rates. Capital contributed to those companies by the parent company is translated at the rates prevailing at the time the transactions were made. Receivables and payables with the parent company are translated at the same rates used by the parent company, and the resultant translation adjustments are recognized in net assets.

Investment securities and other financial instruments

Investment securities and other financial instruments are valued using the following methods:

(a) Securities having market value are stated at market value, and the unrealized gains or losses, net of tax, is credited or debited to net assets as shown in the balance sheet. Cost of securities sold is determined using the gross average method.

(b) Securities not having market value are recorded at the gross average cost.

(c) Bonds held to maturity are stated at cost less accumulated amortization.

(d) Other financial assets (or instruments), including golf memberships, are valued at market value, if available.

Inventories

Merchandise and finished goods as well as raw materials and supplies are primarily measured using the gross average cost method, except for in the Precision Machinery Company, which employs the moving average method, and work in process is measured using the specific identification cost method. For presentation on balance sheet, inventories are measured at book value or written down value to account for the decline in their profitability if necessary.

Property, plant and equipment and related depreciation (except lease assets)

The straight-line method is used as the primary method for computing depreciation. Please note that the method for depreciating minor assets valued from ¥100,000 to less than ¥200,000 is the lump-sum method specified in the Japanese corporate income tax laws, and these assets are depreciated in equal amounts over a three-year period.

Intangible assets and investments and other assets (except lease assets)

Intangible assets are mainly amortized on a straight-line basis, according to the criteria specified in the corporate income tax laws.

Software for internal use is amortized on a straight-line basis over an estimated useful life of five years.

Lease assets

Lease assets under finance lease transactions that do not transfer ownership of the asset to the lessee are depreciated on a straight-line basis over the lease term and have a residual value of zero.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on a separate estimate of the collectability of receivables from individual companies in financial difficulty.

Provision for warranties for completed construction

To cover for possible expenses arising from warranties against defects, the Group makes reasonable estimates of the ratio of such expenses to construction revenue and uses this ratio to derive provisions for such losses.

Provision for product warranties

To cover for expenses related to defect guarantees related to sales contracts, the amount of such warranties is estimated by multiplying a reasonable percentage of defects by the value of product sales.

Provision for construction losses

To cover for possible losses on construction projects contracted to the Group, the Group makes estimates of such losses for those uncompleted projects deemed to have a high possibility of incurring losses and for which such construction losses can be reasonably estimated.

Inventories related to construction contracts on which losses are expected and the provision for construction losses are both presented on the balance sheet without offsetting. The value of inventories related to construction contracts on which losses are expected and recognized as provision for construction losses was ¥8,568 million ($78,204 thousand) (comprising work in process of ¥8,568 million ($78,204 thousand)) and ¥7,242 million (comprising work in process of ¥7,242 million) for the fiscal years ended December 31, 2019 and 2018 respectively.

The provision for construction losses contained in cost of sales was ¥4,272 million ($38,992 thousand) and ¥4,479 million for the fiscal years ended December 31, 2019 and 2018 respectively.

Provision for expenses related to the sales of land

Accompanying the sales of the land formerly occupied by the Group's Haneda Plant, the estimated cost of restoring this land to its original condition has been recognized.

Provision for directors' retirement benefits

In domestic consolidated subsidiaries, provision for directors' retirement benefits is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date.

Retirement benefits

i. Method of attribution of projected benefit obligations

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year is based on the benefit formula basis.

ii. Method of amortization of actuarial gain or loss and past service cost

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which the gain or loss is recognized using the declining balance method over a certain number of years within the average remaining service period of employees.

iii. Adoption of the simplified accounting method in small companies, etc.

Certain consolidated subsidiaries adopt the simplified accounting method in calculating their net defined benefit liabilities and retirement benefit expenses. Under the simplified method, retirement benefit obligations are calculated as the total amount of retirement allowance to be payable when all eligible employees voluntarily terminated their employment at the year-end.

Revenue recognition

Standard for recognizing cost of completed construction contracts and construction revenue

Revenue and costs of completed construction contracts are accounted for based on the percentage-of-completion method if the outcome of the construction contracts can be estimated reliably for the portion completed by the end of each fiscal year. (The percentage of completion is estimated based on the percentage of cost incurred compared with the estimated total cost.) For other construction work, the completed-contract method is applied.

Hedge accounting methods

Hedging transactions

For foreign exchange contracts that fulfill the requirements for deferral hedge accounting under the Accounting Standards for Financial Instruments, the following method is applied in accordance with generally accepted accounting principles in Japan. The difference between the amount of hedged foreign currency denominated receivables or payables at the current spot rate and the equivalent amount at the forward rate is recognized through profit or loss over the period from the forward exchange contract date to the settlement date. For interest-rate swaps that fulfill the requirements for special exceptions under the Accounting Standards for Financial Instruments, such special exceptions are adopted.

Hedging instruments and hedged items

Hedging instruments

Foreign exchange forward contracts, foreign currency option contracts, and interest-rate swap agreements were used.

Hedged items

Foreign currency dominated receivables or payables, loan payables.

Hedging policy

The Company and its consolidated subsidiaries hedge currency exchange rate risk on existing assets and liabilities in foreign currencies and interest-rate risk based on internal risk management policy.

Assessing the effectiveness of hedging

Interest risk

The hedge effectiveness is assessed by comparing the accumulated cash flows between hedging instruments and hedged items. However, with regard to interest-rate swaps that meet the requirements for special exceptions, the assessments are omitted.

Currency exchange rate risk

As long as a hedging instrument corresponds with a hedged item, the hedge is considered effective.

Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured by applying the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

Stock and bond issue costs

Stock and bond issue costs are charged to income as incurred.

Research and development costs

Costs relating to research and development activities are charged to income as incurred. Research and development costs charged to income were ¥11,530 million ($105,239 thousand) and ¥10,698 million for the fiscal years ended December 31, 2019 and 2018 respectively.

Cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with insignificant risk of changes in value that have maturities of three months or less.

Profit (loss) attributable to owners of parent and dividends per share

Primary profit (loss) attributable to owners of parent per share of common stock is based on the average number of shares of common stock outstanding (excluding treasury shares) during each period.

Common share equivalents on subscription rights to shares and convertible bonds are not taken into consideration for the aforementioned computation. Fully diluted profit attributable to owners of parent per share of common stock is computed assuming outstanding convertible bonds at that date are all converted to common shares after adjustment of after-tax debt servicing costs and outstanding subscription rights to shares at that date are all exercised to common shares, unless an antidilutive effect results.

Consumption tax

Consumption taxes are accounted for using the net-of-tax method.

Consolidated taxation system

A consolidated taxation system is applied.

Changes in Accounting Policies

Adoption of ASU2014-09 “Revenue from Contracts with Customers.”

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2014-09 “Revenue from Contracts with Customers” (Topic 606 issued by Financial Accounting Standards Board (hereinafter referred to as the “FASB”) in the United States) from the beginning of the fiscal year ended December 31, 2019.

Due to the adoption of ASU2014-09, revenue is recognized at the time the promised goods or services are transferred to the customer, in an amount that reflects the consideration expected to be received in exchange for the goods or services. In accordance with the amendments in this update applied on a modified retrospective basis, a cumulative effect adjustment to retained earnings was recorded at the beginning balance of the fiscal year ended December 31, 2019.

As a result, retained earnings increased by ¥424 million at the beginning balance of the fiscal year ended December 31, 2019. There was no significant impact on the figures in the consolidated financial statements for the fiscal year ended December 31, 2019.

Accounting standards issued but not yet effective

Accounting Standard and Implementation Guidance for Revenue Recognition

Overview

On March 30, 2018, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30). The International Accounting Standards Board (hereinafter referred to as the “IASB”) and the FASB in the United States co-developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on fact that IFRS 15 is applied from fiscal years starting on or after January 1, 2018 and Topic 606 is applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending December 31, 2020.

Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

Changes in Presentation

Partial Amendments to Accounting Standard for Tax Effect Accounting

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended December 31, 2019. Accordingly, deferred tax assets are presented under “Investments and other assets”, and deferred tax liabilities are presented under “Long term liabilities.”

Also, income taxes in the Note to the consolidated financial statements has been expanded in accordance with Notes 8 (except for total valuation allowance) and 9 of Interpretive Notes to Accounting for Tax Effect Accounting prescribed in Paragraphs 3 to 5 of “Partial Amendments to Accounting Standard for Tax Effect Accounting.” However, comparative information for the fiscal year ended December 31, 2018 has not been disclosed in accordance with the transitional provisions set forth in Paragraph 7 of the Partial Amendments.

3. U.S. Dollar Amounts

The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥109.56=US$1, the rate of exchange prevailing on December 30, 2019.

4. Inventories

Inventories comprised the following:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Merchandise and finished goods	**¥18,386**	¥18,082	**$167,817**
Work in process	**70,082**	65,845	**639,668**
Raw materials and supplies	**32,633**	38,731	**297,855**
Total	**¥121,101**	¥122,660	**$1,105,340**

5. Pledged Assets and Related Liabilities

Pledged assets were as follows:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Buildings and structures	**¥3,702**	¥3,512	**$33,790**
Others	**453**	481	**4,135**
Total	**¥4,155**	¥3,994	**$37,924**

Collateral for loans was as follows:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Short-term loans payable and current portion of long-term loans payable	**¥203**	¥205	**$1,853**
Long-term loans payable	**129**	337	**1,177**

Pledged assets for purposes other than loans payable were as follows:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Buildings and structures	**¥1,040**	¥853	**$9,493**
Others	**375**	398	**3,423**

6. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had the following commitments and contingent liabilities:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Loans guaranteed:			
Non-consolidated subsidiaries and affiliates	**¥722**	¥795	**$6,590**
Other	42	57	**383**

7. Short-Term Loans Payable and Long-Term Debt

As of December 31, 2019 and 2018, short-term loans payable amounted to ¥46,169 million ($421,404 thousand) and ¥44,764 million, respectively. Short-term loans payable are due within in one year or less.

As of December 31, 2019 and 2018, ¥333 million ($3,039 thousand) and ¥543 million of short-term loans payable, current portion of long-term loans payable and long-term loans payable were collateralized using portions of the Group's assets amounting to ¥4,155 million ($37,924 thousand) and ¥3,994 million, respectively.

The weighted-average interest rates for short-term loans payable and current portion of long-term loans payable as of December 31, 2019 and 2018 were 1.667% and 1.831%, respectively.

Long-term debt (excluding lease obligations) comprised of the following:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Loans payable from banks, insurance companies, and other, due 2020 to 2024 with interest rates of 0.137% to 16.800% at December 31, 2019 and with interest rates of 0.231% to 21.000% at December 31, 2018			
Secured	**¥333**	¥543	**$3,039**
Unsecured	**22,803**	22,189	**208,133**
0.18% unsecured yen bonds due 2022 issued in the domestic market	**10,000**	10,000	**91,274**
	33,136	32,732	**302,446**
Less: current portion due within one year	**(4,795)**	(2,001)	**(43,766)**
Total	**¥28,340**	30,730	**$258,671**

The maturities of long-term debt (excluding lease obligations) are summarized as follows:

As of December 31	Millions of yen	Thousands of U.S. dollars
2020	**¥4,795**	**$43,766**
2021	**4,180**	**38,153**
2022	**13,121**	**119,761**
2023	**10,656**	**97,262**
2024	**382**	**3,487**
2025 and thereafter	—	—

8. Impairment Loss of Long-Lived Assets

Fiscal year ended December 31, 2019

The Group reported impairment loss of long-lived assets amounting to ¥1,112 million ($10,150 thousand) for the fiscal year ended December 31, 2019. The impairment loss was recognized in the following asset groups: Idle assets, assets held for sale, and assets to be disposed of.

1. Outline of asset grouping

The Group categorizes its assets according to its business segments, except idle assets, assets held for sale, and assets to be disposed of which are grouped individually.

2. Recognition of impairment loss

Since land classified as an idle asset and buildings and structures, machinery, equipment and vehicles and others to be disposed of are no longer expected to contribute to future economic inflow in future periods, and the expected sales price of buildings and structures and land held for sale is below the book value of such assets, the Group has written down the book value to the recoverable amount.

3. Computation of recoverable value

The net sales value is used to calculate the recoverable value of assets. Assets held for sale are calculated at the expected sales price. For land classified as an idle asset, reasonable estimates of its recoverable value have been made based on the expected sales price, land price used for tax assessment and other information. Assets to be disposed of are calculated at the memorandum value.

Fiscal year ended December 31, 2018

The Group reported impairment loss of long-lived assets amounting to ¥2,627 million for the fiscal year ended December 31, 2018. The impairment loss was recognized in the following asset groups: Idle assets, assets held for sale, and assets to be disposed of.

1. Outline of asset grouping

The Group categorizes its assets according to its business segments, except idle assets, assets held for sale, and assets to be disposed of which are grouped individually.

2. Recognition of impairment loss

Since land classified as an idle asset and buildings and structures, machinery, equipment and vehicles and others to be disposed of are no longer expected to contribute to future economic inflow in future periods, and the expected sales price of buildings and structures, machinery, equipment and vehicles, land and others held for sale is below the book value of such assets, the Group has written down the book value to the recoverable amount.

3. Computation of recoverable value

The net sales value is used to calculate the recoverable value of assets. Assets held for sale are calculated at the expected sales price. For land classified as an idle asset, reasonable estimates of its recoverable value have been made based on the expected sales price, land price used for tax assessment and other information. Assets to be disposed of are calculated at the memorandum value.

9. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the fiscal years ended December 31, 2019 and 2018:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Net unrealized gains (losses) on investment securities:			
Amount arising during the fiscal period or the fiscal year	**¥288**	¥(2,777)	**$2,629**
Reclassification adjustments for gains (losses) realized in net income	**(569)**	(372)	**(5,194)**
Amount of net unrealized gains (losses) on investment securities before tax effect	**(280)**	(3,150)	**(2,556)**
Tax effect	**85**	964	**776**
Net unrealized gains (losses) on investment securities	**(194)**	(2,185)	**(1,771)**
Deferred gains (losses) on hedges:			
Amount arising during the fiscal period or the fiscal year	**2**	(72)	**18**
Reclassification adjustments for gains (losses) realized in net income	**71**	(16)	**648**
Amount of deferred gains (losses) on hedges before tax effect	**73**	(89)	**666**
Tax effect	**(40)**	20	**(365)**
Deferred gains (losses) on hedges	**32**	(68)	**292**
Translation adjustments:			
Amount arising during the fiscal period or the fiscal year	**(1,758)**	(4,060)	**(16,046)**
Remeasurements of defined benefit plans:			
Amount arising during the fiscal period or the fiscal year	**1,879**	(1,546)	**17,150**
Reclassification adjustments for gains (losses) realized in net income	**453**	6	**4,135**
Amount before tax effect	**2,333**	(1,539)	**21,294**
Tax effect	**(568)**	581	**(5,184)**
Remeasurements of defined benefit plans	**1,764**	(958)	**16,101**
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the fiscal period or the fiscal year	**60**	81	**548**
Total other comprehensive income	**¥(95)**	¥(7,192)	**$(867)**

10. Net Assets

The Companies Act of Japan (Act No. 86 of 2005, as amended) provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the total of the capital reserve and the legal reserve equals 25% of the common shares account.

Such distributions can be made at any time by resolution of the General Meeting of Shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Dividends

1. Dividends paid

For the fiscal year ended December 31, 2019

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Regular General Meeting of Shareholders on March 28, 2019	Common shares	**¥3,000**	**$27,382**	**¥30.00**	**$0.274**	December 31, 2018	March 29, 2019

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Board Meeting on August 9, 2019	Common shares	**¥2,876**	**$26,250**	**¥30.00**	**$0.274**	June 30, 2019	September 10, 2019

For the fiscal year ended December 31, 2018

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Regular General Meeting of Shareholders on March 28, 2018	Common shares	**¥1,523**	**¥15.00**	December 31, 2017	March 29, 2018

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Board Meeting on August 9, 2018	Common shares	**¥3,051**	**¥30.00**	June 30, 2018	September 10, 2018

2. Dividends with the cut-off date in the fiscal year ended December 31, 2019 and the effective date in the fiscal year ending December 31, 2020

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Regular General Meeting of Shareholders on March 27, 2020	Common shares	**¥2,853**	**$26,041**	Retained earnings	**¥30.00**	**$0.274**	December 31, 2019	March 30, 2020

Dividends with the cut-off date in the fiscal year ended December 31, 2018 and the effective date in the fiscal year ended December 31, 2019

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Regular General Meeting of Shareholders on March 28, 2019	Common shares	**¥3,000**	Retained earnings	**¥30.00**	December 31, 2018	March 29, 2019

11. Supplementary Cash Flow Information

The reconciliation of cash and cash equivalents in the consolidated statement of cash flows for the fiscal years ended December 31, 2019 and 2018 to cash on hand and in banks and securities in the consolidated balance sheet is as follows:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Cash on hand and in banks	**¥94,014**	¥110,610	**$858,105**
Securities	**1,097**	1,668	**10,013**
Securities and others with maturities of more than three months	**(1)**	(1)	**(9)**
Time deposits with maturities of more than three months	**(1,759)**	(1,720)	**(16,055)**
Cash and cash equivalents	**¥93,351**	¥110,556	**$852,054**

12. Leases

(As lessee)

1. Finance lease transactions

Finance lease transactions other than those for which the ownership transfers to the lessee

(1) Components of lease assets

Property, plant and equipment

This mainly comprises production equipment (tools, furniture and fixtures, etc.).

(2) Depreciation method of lease assets

This is presented under “Lease assets” in “Note 2. Summary of Significant Accounting Policies.”

2. Operating lease transactions

Future minimum lease payments for non-cancelable operating leases as of December 31, 2019 and 2018 are summarized as follows:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Due within one year	**¥901**	¥906	**$8,224**
Due after one year	**1,900**	2,489	**17,342**
Total	**¥2,801**	¥3,395	**$25,566**

1. Status of financial instruments

(1) Policies regarding financial instruments

The Company raises the necessary long-term funds for its capital investment and other requirements principally from bank borrowings, the issuance of bonds, and other means. Short-term working capital is raised through bank borrowings and other sources, as necessary. Available short-term funds are invested in highly secure financial assets. In addition, derivatives are used to avoid risk based on actual demand, and the Company's policy is not to use derivatives for speculative purposes.

(2) Types and risks of financial instruments

Notes and accounts receivable‐trade and electronically recorded monetary claims, which are operating assets, are exposed to customer credit risk. In addition, since the Company conducts its business activities globally, its operating assets denominated in foreign currencies are exposed to foreign currency risk. To manage foreign currency risk, the Company hedges its net foreign currency assets and liabilities position through the use of foreign currency borrowings and deposits. The Company's consolidated subsidiaries use foreign currency forward contracts to hedge foreign currency exposure.

Securities and investment securities are principally negotiable certificates of deposit, money market funds (MMFs), and stocks in financial institutions and other companies that are held for business relationship purposes and are, therefore, exposed to market price fluctuations.

Notes and accounts payable trade and electronically recorded obligations, which are operating liabilities, are settled, for the most part, within one year. In addition, a portion of these, which arise in connection with imports of motors and other items, are denominated in foreign currencies and are exposed to foreign currency risk; however, in general, the balance of these liabilities is within the amounts of accounts receivable trade denominated in foreign currencies. Among these, a portion of borrowings have floating interest rates and are subject to interest-rate risk. These are hedged through the use of derivatives (interest-rate swaps).

Derivative transactions comprise forward exchange contract transactions for the purpose of hedging exchange rate fluctuation risk for trade payables and receivables denominated in foreign currencies and interest rate swap transactions for the purpose of hedging interest rate fluctuation risk for interest payable on loans. Further information on hedge accounting, including hedging instruments, hedged items, hedging policy and assessment of hedge effectiveness can be found in the previous section entitled "Hedge accounting methods" in "Note 2. Summary of Significant Accounting Policies."

(3) Risk management systems for financial instruments

a. Management of credit risk (risk related to nonperformance of contractual obligations by transaction counterparties)

Regarding operating assets, the Company's finance and business departments, based on the Company's regulations related to credit management, monitor the conditions of principal business customers and supervise the payment dates and balances by customers with the aims of identifying possible deterioration in the financial conditions of customers and other issues related to the recovery of exposure at an early date and taking steps to minimize credit risk. The Company's consolidated subsidiaries have also adopted the same method of management.

For securities held to maturity, under the Company's policies, investments are made only in securities with high credit ratings, and the credit risk of these investments is minimal.

The maximum value of credit risk, as of the fiscal year-end, is shown by the value on the balance sheets of financial assets subject to credit risk.

b. Management of market risk (risk of fluctuations in foreign currency rates, interest rates, and other indicators)

To manage foreign currency risk, assets and liabilities denominated in foreign currencies are classified by currency, and risk is hedged through the use of foreign currency borrowings and deposits. Also, for foreign currency assets and liabilities, the Company makes use of foreign currency forward contracts to hedge its exposure. Please note that depending on conditions in foreign currency markets, the Company makes arrangements for foreign currency forward contracts for foreign currency denominated receivables and payables resulting from highly probable forecasted transactions. To hedge against interest-rate fluctuations, the Company makes use of interest-rate swaps.

For securities and investment securities, the Company regularly confirms the fair value and the financial condition of the issuers (transaction counterparties). In addition, for securities other than those held to maturity, the Company reviews the appropriateness of holding such securities on a continuing basis, taking account of the relationship with the issuer (transaction counterparty).

For derivatives, the Company and its consolidated subsidiaries manage such exposure based on the Company's policies for management of financial instruments.

c. Management of liquidity risk related to fund-raising (risk of being unable to meet payment obligations on the scheduled date)

The Company's finance department prepares and revises cash flow plans based on reports from each of the Company's departments and manages liquidity risk by maintaining a volume of liquidity appropriate for business conditions. Also, as an alternative to liquid assets, the Company manages its liquidity by arranging for commitment lines in a specified amount.

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

The fair value of financial instruments, in addition to values based on market prices, includes the value of instruments that do not have market prices that have been calculated based on reasonable methods. Since factors that may fluctuate are taken into account in these calculations, the respective values may change when different assumptions are adopted.

In addition, the contract value of derivatives, as contained in the following "Information on the fair value of financial instruments," does not indicate the value of the market risk of these derivative transactions.

2. Information on the fair value of financial instruments

The amounts shown on the consolidated balance sheet as of December 31, 2019 and 2018 (the Company's fiscal year-end), the corresponding fair values, and differences between book and fair value are as follows.

Please note that the values of the financial instruments for which ascertaining the fair value is deemed to be extremely difficult have not been included. (Refer to Note 2.)

	Millions of yen		
As of December 31, 2019	On consolidated balance sheet	Fair value	Difference
Cash on hand and in banks	¥94,014	¥94,014	¥—
Notes and accounts receivable trade	182,944		
Electronically recorded monetary claims	9,218		
Allowance for doubtful accounts (*1)	(2,107)		
	¥190,056	¥190,017	¥(38)
Securities and investment securities	3,286	3,286	—
Total	¥287,357	¥287,318	¥(38)
Notes and accounts payable trade	60,580	60,580	—
Electronically recorded obligations	59,847	59,847	—
Short-term loans payable	46,169	46,169	—
Current portion of long-term loans payable	4,795	4,795	—
Bonds payable	10,000	10,034	34
Long-term loans payable	18,340	18,473	132
Total	¥199,735	¥199,902	¥167
Derivative transactions (*2)	¥1	¥1	¥—

	Thousands of U.S. dollars		
As of December 31, 2019	On consolidated balance sheet	Fair value	Difference
Cash on hand and in banks	$858,105	$858,105	$—
Notes and accounts receivable trade	1,669,806		
Electronically recorded monetary claims	84,137		
Allowance for doubtful accounts (*1)	(19,231)		
	$1,734,721	$1,734,365	$(347)
Securities and investment securities	29,993	29,993	—
Total	$2,622,828	$2,622,472	$(347)
Notes and accounts payable trade	$552,939	$552,939	$—
Electronically recorded obligations	$546,249	$546,249	—
Short-term loans payable	421,404	421,404	—
Current portion of long-term loans payable	43,766	43,766	—
Bonds payable	91,274	91,585	310
Long-term loans payable	167,397	168,611	1,205
Total	$1,823,065	$1,824,589	$1,524
Derivative transactions (*2)	$9	$9	$—

As of December 31, 2018	Millions of yen On consolidated balance sheet	Fair value	Difference
Cash on hand and in banks	¥110,610	¥110,610	¥—
Notes and accounts receivable trade	176,895		
Electronically recorded monetary claims	6,990		
Allowance for doubtful accounts (*1)	(3,308)		
	¥180,577	¥180,543	¥(33)
Securities and investment securities	8,409	8,409	—
Total	¥299,597	¥299,564	¥(33)
Notes and accounts payable trade	63,320	63,320	—
Electronically recorded obligations	62,854	62,854	—
Short-term loans payable	44,764	44,764	—
Current portion of long-term loans payable	2,001	2,001	—
Bonds payable	10,000	10,051	51
Long-term loans payable	20,730	20,926	196
Total	¥203,672	¥203,920	¥248
Derivative transactions (*2)	¥(72)	¥(72)	¥—

(*1) The full amount of the allowance for doubtful accounts is excluded. Please note that the allowance for doubtful accounts includes notes receivable trade, accounts receivable trade, electronically recorded monetary claims, and accounts receivable-other that are considered to be doubtful.

(*2) The net amount of the assets and liabilities is shown.

Note 1: Methods of calculating the fair value of financial instruments and matters related to securities and derivatives

(1) Assets

a. Cash on hand and in banks

These items are settled within short periods and are shown at their respective book value, which approximates their fair values.

b. Notes and accounts receivable trade and electronically recorded monetary claims

The fair values of these financial instruments are calculated, by specified period and type of security, as the present value by discounting the cash flow to maturity using a discount rate that takes account of credit risk.

c. Securities and investment securities

The fair value for stocks is based on quoted market prices. The value for bonds is determined using quoted market prices or financial institutions. Also, negotiable certificates of deposit are settled within short periods and are shown at their respective book value, which approximates their fair values. For securities held to maturity and others, please refer to “Note 14. Marketable and Investment Securities.”

(2) Liabilities

a. Notes and accounts payable trade, electronically recorded obligations, short-term loans payable, current portion of long-term loans payable and current portion of bonds

These items are settled within short periods and are shown at their respective book value, which approximates their fair values.

b. Bonds payable and long-term loans payable

The fair values of these financial instruments are calculated by discounting the principal and interest payments by the interest rate that would be required upon entering into borrowings with similar terms. Long-term borrowings at floating interest rates are hedged through interest-rate swaps using special treatment accounting. The fair value is calculated as the total amount of the principal and interest payments accounted for in combination with the interest rate swap, which is discounted by the applied interest rate that would be reasonably estimated upon entering into borrowings with similar terms.

(3) Derivative transactions

Please refer to “Note 15. Derivative Financial Instruments.”

Note 2: Financial instruments for which ascertaining the fair value is deemed to be extremely difficult

As of December 31, 2019 and 2018	On consolidated balance sheet		
	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Stocks of affiliated companies	**¥12,547**	¥11,725	**$114,522**
Unlisted stocks	**4,929**	3,835	**44,989**
Total	**¥17,477**	¥15,560	**$159,520**

Note: Market values are not available for these stocks and, since ascertaining their fair value is deemed to be extremely difficult, the values of these stocks have not been included in "Securities and investment securities."

Note 3: Monetary claims and securities with maturity dates that are scheduled to be amortized after the fiscal year-end

As of December 31, 2019	Millions of yen			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash on hand and in banks	**¥94,014**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable trade	**164,077**	**18,519**	**347**	—
Electronically recorded monetary claims	**9,218**	—	—	—
Securities and investment securities:				
Investment securities with maturity:				
Negotiable certificates of deposit	**1,096**	—	—	—
Total	**¥268,406**	**¥18,519**	**¥347**	**¥—**

As of December 31, 2019	Thousands of U.S. dollars			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash on hand and in banks	**$858,105**	**$—**	**$—**	**$—**
Notes and accounts receivable trade	**1,497,599**	**169,031**	**3,167**	—
Electronically recorded monetary claims	**84,137**	—	—	—
Securities and investment securities:				
Investment securities with maturity:				
Negotiable certificates of deposit	**10,004**	—	—	—
Total	**$2,449,854**	**$169,031**	**$3,167**	**$—**

As of December 31, 2018	Millions of yen			
	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash on hand and in banks	¥110,610	¥—	¥—	¥—
Notes and accounts receivable trade	158,440	17,962	493	—
Electronically recorded monetary claims	6,990	—	—	—
Securities and investment securities:				
Investment securities with maturity:				
Negotiable certificates of deposit	1,666	—	—	—
Total	¥277,707	¥17,962	¥493	¥—

Note 4: Interest-bearing debt that is scheduled to be repaid after the fiscal year-end

	Millions of yen					
As of December 31, 2019	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	**¥46,169**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Bonds payable	—	—	**10,000**	—	—	—
Long-term loans payable	**4,795**	**4,180**	**3,121**	**10,656**	**382**	—
Lease obligations	**658**	**479**	**231**	**179**	**53**	**76**
Total	**¥51,624**	**¥4,659**	**¥13,353**	**¥10,835**	**¥436**	**¥76**

	Thousands of U.S. dollars					
As of December 31, 2019	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	**$421,404**	**$—**	**$—**	**$—**	**$—**	**$—**
Bonds payable	—	—	**91,274**	—	—	—
Long-term loans payable	**43,766**	**38,153**	**28,487**	**97,262**	**3,487**	—
Lease obligations	**6,006**	**4,372**	**2,108**	**1,634**	**484**	**694**
Total	**$471,194**	**$42,525**	**$121,878**	**$98,896**	**$3,980**	**$694**

	Millions of yen					
As of December 31, 2018	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	¥44,764	¥—	¥—	¥—	¥—	¥—
Bonds payable	—	—	—	10,000	—	—
Long-term loans payable	2,001	4,299	3,681	2,611	10,137	—
Lease obligations	707	531	258	105	28	8
Total	¥47,473	¥4,831	¥3,939	¥12,717	¥10,166	¥8

14. Marketable and Investment Securities

Marketable and investment securities comprise securities which have fair value. The book value, gross unrealized gains and losses, and fair value for such securities at December 31, 2019 and December 31, 2018 are as follows.

Held-to-maturity securities:

As of December 31, 2019

No items to be reported.

As of December 31, 2018

No items to be reported.

Other securities:

	Millions of yen			
As of December 31, 2019	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	**¥1,326**	**¥127**	**¥—**	**¥1,453**
Historical cost over book value				
Equity securities	**781**	—	**(44)**	**736**
Others	**1,096**	—	—	**1,096**

	Thousands of U.S. dollars			
As of December 31, 2019	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	**$12,103**	**$1,159**	**$—**	**$13,262**
Historical cost over book value				
Equity securities	**7,129**	—	**(402)**	**6,718**
Others	**10,004**	—	—	**10,004**

	Millions of yen			
As of December 31, 2018	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	¥434	¥584	¥—	¥1,018
Historical cost over book value				
Equity securities	5,946	—	(222)	5,724
Others	1,666	—	—	1,666

Proceeds from sales of marketable and investment securities and realized gains and losses for the fiscal years ended December 31, 2019 and 2018 are as follows.

	Millions of yen		
Fiscal year ended December 31, 2019	Proceeds from sales	Realized gains	Realized losses
Equity securities	**¥4,872**	**¥713**	**¥143**

	Thousands of U.S. dollars		
Fiscal year ended December 31, 2019	Proceeds from sales	Realized gains	Realized losses
Equity securities	**$44,469**	**$6,508**	**$1,305**

	Millions of yen		
Fiscal year ended December 31, 2018	Proceeds from sales	Realized gains	Realized losses
Equity securities	¥665	¥380	¥0

Impairment loss on securities:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Others	**¥2**	¥22	**$18**

15. Derivative Financial Instruments

Fiscal year ended December 31, 2019

1. Derivatives not subject to hedge accounting

(1) Currency related

Omitted due to immateriality.

(2) Interest-rate related

No items to be reported.

2. Derivatives subject to hedge accounting

(1) Currency related

Method	Transaction	Hedged items	Millions of yen		
			Contractual value	Contractual value over 1 year	Fair value
Deferred hedge accounting	Forward exchange contract To sell:	Accounts receivable trade			
	EUR		**¥509**	**¥—**	**¥(0)**
	YEN		**1,829**	**—**	**1**
	Total		**¥2,338**	**¥—**	**¥1**

Method	Transaction	Hedged items	Thousands of U.S. dollars		
			Contractual value	Contractual value over 1 year	Fair value
Deferred hedge accounting	Forward exchange contract To sell:	Accounts receivable trade			
	EUR		**$4,646**	**$—**	**$(0)**
	YEN		**16,694**	**—**	**9**
	Total		**$21,340**	**$—**	**$9**

Note: Fair value is computed based on quotes from financial institutions, among other sources.

(2) Interest-rate related

No items to be reported.

Fiscal year ended December 31, 2018

1. Derivatives not subject to hedge accounting

(1) Currency related

No items to be reported.

(2) Interest-rate related

No items to be reported.

2. Derivatives subject to hedge accounting

(1) Currency related

Method	Transaction	Hedged items	Millions of yen		
			Contractual value	Contractual value over 1 year	Fair value
Deferred hedge accounting	Forward exchange contract To sell:	Accounts receivable trade			
	EUR		¥192	¥—	¥2
	YEN		3,500	—	(75)
	Total		¥3,693	¥—	¥(72)

Note: Fair value is computed based on quotes from financial institutions, among other sources.

(2) Interest-rate related

No items to be reported.

16. Retirement Benefits

The Company and certain consolidated subsidiaries have either funded or unfunded defined benefit plans and a defined contribution plan.

The Company and certain consolidated subsidiaries have defined benefit plans that consist of a defined-benefit corporate pension plan and a lump-sum payment plan. Further, the Company has set up a retirement benefit trust. Also, certain consolidated subsidiaries apply the simplified method to calculate the retirement benefit obligation. In addition, the Company and certain consolidated subsidiaries have multi-employer plans. As the amount of pension assets for these plans can be reasonably calculated, they are included in the note regarding defined benefit plans.

1. The changes in the retirement benefit obligation during the fiscal years ended December 31, 2019 and 2018 are as follows:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Balance at the beginning of the period	**¥70,159**	¥74,820	**$640,371**
Service cost	**3,386**	2,957	**30,905**
Interest cost	**1,683**	1,548	**15,361**
Actuarial (gain) loss	**3,994**	(3,863)	**36,455**
Retirement benefits paid	**(4,662)**	(4,470)	**(42,552)**
Others	**(357)**	(833)	**(3,258)**
Balance at the end of the period	**¥74,203**	¥70,159	**$677,282**

2. The changes in plan assets during the fiscal years ended December 31, 2019 and 2018 are as follows:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Balance at the beginning of the period	**¥62,516**	¥66,181	**$570,610**
Expected return on plan assets	**2,240**	2,517	**20,445**
Actuarial gain (loss)	**5,727**	(5,588)	**52,273**
Company contributions	**3,086**	3,470	**28,167**
Retirement benefits paid	**(3,451)**	(3,329)	**(31,499)**
Others	**(260)**	(735)	**(2,373)**
Balance at the end of the period	**¥69,859**	¥62,516	**$637,632**

3. The following table sets forth the funded status of the plan and the amounts recognized in the consolidated balance sheet as of December 31, 2019 and 2018 for the defined benefit plans:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Funded retirement benefit obligation	**¥59,256**	¥54,671	**$540,854**
Plan assets	**(69,859)**	(62,516)	**(637,632)**
	(10,603)	(7,844)	**(96,778)**
Unfunded retirement benefit obligation	**14,947**	15,487	**136,428**
Net liability for retirement benefits in the consolidated balance sheet	**4,344**	7,642	**39,650**
Defined benefit liability	**9,362**	10,681	**85,451**
Defined benefit asset	**(5,017)**	(3,038)	**(45,792)**
Net liability for retirement benefits in the consolidated balance sheet	**¥4,344**	¥7,642	**$39,650**

4. The components of retirement benefit expense for the fiscal years ended December 31, 2019 and 2018 are as follows:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Service cost	**¥3,386**	¥2,957	**$30,905**
Interest cost	**1,683**	1,548	**15,361**
Expected return on plan assets	**(2,240)**	(2,517)	**(20,445)**
Amortization of actuarial loss (gain)	**404**	(70)	**3,687**
Amortization of past service cost	**49**	77	**447**
Others	**85**	347	**776**
Retirement benefit expense	**¥3,368**	¥2,342	**$30,741**

5. The components of remeasurements of defined benefit plans (before tax effect) for the fiscal years ended December 31, 2019 and 2018 are as follows:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Past service cost	**¥48**	¥50	**$438**
Actuarial gain (loss)	**2,284**	(1,590)	**20,847**
Total	**¥2,333**	¥(1,539)	**$21,294**

6. Unrecognized past service cost and actuarial gain (loss) included in remeasurements of defined benefit plans of accumulated other comprehensive income (before tax effect) as of December 31, 2019 and 2018 are as follows:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Unrecognized past service cost	**¥(160)**	¥(215)	**$(1,460)**
Unrecognized actuarial gain (loss)	**(9,089)**	(11,400)	**(82,959)**
Total	**¥(9,250)**	¥(11,615)	**$(84,429)**

7. Plan assets

(1) Plan assets

Percentages of total plan assets for major components as of December 31, 2019 and 2018 are as follows:

As of December 31, 2019 and 2018		
	2019/12	2018/12
Stocks	**24%**	25%
Debt securities	**55%**	45%
General accounts	**16%**	17%
Others	**6%**	13%
Total	**100%**	100%

Note: A retirement benefit trust set up for the corporate pension plan as of December 31, 2019 and 2018 accounts for 13% and 13% respectively of total plan assets.

(2) Method of determining expected long-term rate of return on plan assets

In determining an expected long-term rate of return on plan assets, the Company considers current and projected plan asset allocations and current and expected future long-term rates of return on various components of plan assets.

8. Assumptions used for actuarial calculation

The assumptions used mainly for actuarial calculation for the above plans were as follows:

For the fiscal years ended December 31, 2019 and 2018		
	2019/12	2018/12
Assumptions to determine above obligation and cost:		
Discount rate (the Company and domestic subsidiaries)	**0.5%**	0.5%
Discount rate (foreign subsidiaries)	**3.4%**	4.4%
Expected long-term rate of return on plan assets (the Company and domestic subsidiaries)	**2.0%**	2.5%
Expected long-term rate of return on plan assets (foreign subsidiaries)	**5.3%**	5.3%

9. Defined contribution plans

The amount to be paid by the Company and its consolidated subsidiaries to defined contribution plans for the fiscal years ended December 31, 2019 and 2018 were ¥2,086 million ($19,040 thousand) and ¥2,118 million, respectively.

17. Stock Options

1. Items and amounts of related expenses presented in the consolidated accounts for the fiscal years ended December 31, 2019 and 2018 are as follows:

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Cost of sales	**¥14**	¥14	**$128**
Selling, general and administrative expenses	**87**	87	**794**

2. Description and movement of stock options

(1) Description of stock options

	1st subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 9 people 2. Executive officers in the Company: 23 people
Number of stock options granted by type of stock	Common shares: 244,600 shares (Note 1)
Granted date	November 5, 2009
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2011 to November 5, 2024

Notes: 1. Options are presented after conversion to the number of shares. The number of shares is calculated in consideration of a consolidation of common shares at a rate of one share for every five shares that the Company has executed with an effective date of October 1, 2016.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company and during a period of five years after retiring from those positions.

3. If the Company's consolidated return on equity (ROE; the "attained performance") is less than 8.0% (the "target performance") for the final fiscal year-end within a two-year period (the "final fiscal year"), those granted stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).

4. When those granted stock options are those newly appointed as directors or executive officers after July 1, 2009, or when those granted stock options retire from their positions as directors or executive officers before the final day of the final fiscal year, the number of stock option rights they may exercise is calculated by multiplying the adjusted figure described in Note 3 above by a tenure period ratio (a figure representing the ratio of days of tenure to the number of days in the period from April 1, 2009, through March 31, 2011).

5. When the calculations described in Notes 3 and 4 above result in numbers of exercisable stock option rights including a fraction of a right (a figure less than one), this fractional right is to be discarded.

6. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.

7. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.

8. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	2nd subscription rights to shares
Scope and number of people eligible to be granted stock options	Executive officers in the Company: 4 people
Number of stock options granted by type of stock	Common shares: 7,200 shares (Note 1)
Granted date	September 28, 2010
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2011 to November 5, 2024

Notes: 1. Options are presented after conversion to the number of shares. The number of shares is calculated in consideration of a consolidation of common shares at a rate of one share for every five shares that the Company has executed with an effective date of October 1, 2016.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company and during a period of five years after retiring from those positions.
3. If the Company's consolidated return on equity (ROE; the "attained performance") is less than 8.0% (the "target performance") for the final fiscal year-end within a one-year period (the "final fiscal year"), those granted stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).
4. When those granted stock options are those newly appointed as directors or executive officers after July 1, 2010, or when those granted stock options retire from their positions as directors or executive officers before the final day of the final fiscal year, the number of stock option rights they may exercise is calculated by multiplying the adjusted figure described in Note 3 above by a tenure period ratio (a figure representing the ratio of days of tenure to the number of days in the period from April 1, 2010, through March 31, 2011).
5. When the calculations described in Notes 3 and 4 above result in numbers of exercisable stock option rights including a fraction of a right (a figure less than one), this fractional right is to be discarded.
6. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
7. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.
8. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	3rd subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 8 people 2. Executive officers in the Company: 23 people
Number of stock options granted by type of stock	Common shares: 323,000 shares (Note 1)
Granted date	September 27, 2011
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2014 to June 30, 2026

Notes: 1. Options are presented after conversion to the number of shares. The number of shares is calculated in consideration of a consolidation of common shares at a rate of one share for every five shares that the Company has executed with an effective date of October 1, 2016.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company and during a period of five years after retiring from those positions.
3. If the Company's consolidated return on invested capital (ROIC; the "attained performance") is less than 8.0% (the "target performance") for the final fiscal year-end within a three-year period (the "final fiscal year"), those granted stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).
4. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
5. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.
6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	4th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 4 people 2. Executive officers in the Company: 4 people 3. Directors and executive officers in subsidiaries: 10 people
Number of stock options granted by type of stock	Common shares: 106,800 shares (Note 1)
Granted date	October 1, 2012
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2014 to June 30, 2026

Notes: 1. Options are presented after conversion to the number of shares. The number of shares is calculated in consideration of a consolidation of common shares at a rate of one share for every five shares that the Company has executed with an effective date of October 1, 2016.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company or subsidiaries and during a period of five years after retiring from those positions.

3. If the Company's consolidated return on invested capital (ROIC; the "attained performance") reaches 8.0% (the "target performance") for the final fiscal year that ends within a two-year period from the date of grant of stock options (the "final fiscal year"), those granted stock options may exercise all stock option rights. On the other hand, if the Company's attained performance is less than the target performance for the final fiscal year, those granted stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).

4. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.

5. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.

6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	5th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 5 people 2. Executive officers in the Company: 4 people 3. Directors and executive officers in subsidiaries: 7 people
Number of stock options granted by type of stock	Common shares: 42,400 shares (Note 1)
Granted date	October 1, 2013
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2014 to June 30, 2026

Notes: 1. Options are presented after conversion to the number of shares. The number of shares is calculated in consideration of a consolidation of common shares at a rate of one share for every five shares that the Company has executed with an effective date of October 1, 2016.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company or subsidiaries and during a period of five years after retiring from those positions.

3. If the Company's consolidated return on invested capital (ROIC; the "attained performance") reaches 8.0% (the "target performance") for the final fiscal year that ends within a one-year period from the date of grant of stock options (the "final fiscal year"), those granted stock options may exercise all stock option rights. On the other hand, if the Company's attained performance is less than the target performance for the final fiscal year, those granted stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).

4. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.

5. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.

6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	6th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 8 people 2. Executive officers in the Company: 19 people 3. Directors and executive officers in subsidiaries: 16 people
Number of stock options granted by type of stock	Common shares: 261,800 shares (Note 1)
Granted date	October 1, 2014
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2017 to June 30, 2029

Notes: 1. Options are presented after conversion to the number of shares. The number of shares is calculated in consideration of a consolidation of common shares at a rate of one share for every five shares that the Company has executed with an effective date of October 1, 2016.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company or subsidiaries and during a period of five years after retiring from those positions.

3. If the Company's consolidated return on invested capital (ROIC; the "attained performance") reaches 7.0% (the "target performance") for the final fiscal year that ends within a three-year period from the date of grant of stock options (the "final fiscal year"), those granted stock options may exercise all stock option rights. On the other hand, if the target performance is not met, the number of exercisable stock option rights shall not exceed an amount defined by multiplying the number of allotted rights by the degree of achievement—which shall be the number obtained by dividing the attained performance by the target performance and not less than 0.5 (the "post-performance adjustment upper limit for exercisable rights"). However, an exception may be made when a rights holder was also allocated other stock option rights during the period from October 1, 2014, to the final day of the final fiscal year, but this provision will be limited to rights for the other stock option scheme that is part of the stock-linked compensation plan that is similar to the stock options (the "similar stock options"). Should the post-performance adjustment upper limit for exercisable rights for similar stock options allocated prior to the allocation of the stock options include a fraction less than one, this fraction will be added to the post-performance adjustment upper limit for exercisable rights for the stock options. One is the unit of exercise of the stock option and the fraction is not exercisable.

4. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.

5. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.

6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	7th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Non-executive directors (including outside directors) in the Company: 11 people 2. Executive officers in the Company: 15 people 3. Directors and executive officers in subsidiaries: 5 people
Number of stock options granted by type of stock	Common shares: 89,400 shares (Note 1)
Granted date	October 1, 2015
Vesting conditions	(Note 5)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2017 to June 30, 2029

Notes: 1. Options are presented after conversion to the number of shares. The number of shares is calculated in consideration of a consolidation of common shares at a rate of one share for every five shares that the Company has executed with an effective date of October 1, 2016.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company or subsidiaries and during a period of five years after retiring from those positions.

3. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.

4. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year that ends within a two-year period from the date of the grant of stock options (the “final fiscal year”), whichever is later.

5. The following conditions are stipulated in stock option grant contracts agreed between the Company and those granted stock options based on the position of the individual granted stock options. The unit of exercise of stock options is one and the fraction is not exercisable.

(1) When those granted stock options are executive officers of the Company or directors or executive officers of subsidiaries of the Company as of the grant date.

(Attained performance conditions)

If the Company’s consolidated return on invested capital (ROIC; the “attained performance”) reaches 7.0% (the “target performance”) for the final fiscal year, those granted stock options may exercise all stock option rights. On the other hand, if the target performance is not achieved, the number of exercisable stock option rights shall not exceed an amount defined by multiplying the number of allotted rights by the degree of achievement－which shall be the number obtained by dividing the attained performance by the target performance and not less than 0.5 (the “post-performance adjustment upper limit for exercisable rights”). However, an exception may be made when a rights holder was also allocated other stock option rights during the period from October 1, 2014, to the final day of the final fiscal year, but this provision will be limited to rights for the other stock option scheme that is part of the stock-linked compensation plan that is similar to the stock options (the “similar stock options”). Should the post-performance adjustment upper limit for exercisable rights for similar stock options allocated prior to the allocation of the stock options include a fraction less than one, this fraction will be added to the post-performance adjustment upper limit for exercisable rights for the stock options. Other details are stipulated in the stock option grant contracts.

(2) When those granted stock options are outside directors of the Company as of the grant date

(Exercise period limitations)

Regardless of the provisions described above, stock options may not be exercisable during three years after the date of the grant of stock options.

(3) When those granted stock options are non-executive directors of the Company (excluding outside directors) as of the grant date

The period for exercise for all or some of the stock options granted to non-executive directors shall follow the provision described in (2) above, and the attained performance conditions described in (1) above shall also be applied for the remainder. Details are stipulated in the stock option grant contracts.

6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in “stock option grant contracts” agreed between the Company and those granted stock options.

	8th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Non-executive directors (including outside directors) in the Company: 11 people 2. Executive officers in the Company: 5 people 3. Directors and executive officers in subsidiaries: 5 people
Number of stock options granted by type of stock	Common shares: 38,000 shares (Note 1)
Granted date	October 1, 2016
Vesting conditions	(Note 5)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2017 to June 30, 2029

Notes: 1. Options are presented after conversion to the number of shares.

2. Those granted stock options may exercise those options only while serving as directors or executive officers of the Company or subsidiaries and during a period of five years after retiring from those positions.
3. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
4. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year that ends within a one-year period from the date of the grant of stock options (the “final fiscal year”), whichever is later.
5. The following conditions are stipulated in stock option grant contracts agreed between the Company and those granted stock options based on the position of the individual granted stock options. The unit of exercise of stock options is one and the fraction is not exercisable.

(1) When those granted stock options are executive officers of the Company or directors or executive officers of subsidiaries of the Company as of the grant date.

(Attained performance conditions)

If the Company’s consolidated return on invested capital (ROIC; the “attained performance”) reaches 7.0% (the “target performance”) for the final fiscal year, those granted stock options may exercise all stock option rights. On the other hand, if the target performance is not achieved, the number of exercisable stock option rights shall not exceed an amount defined by multiplying the number of allotted rights by the degree of achievement－which shall be the number obtained by dividing the attained performance by the target performance and not less than 0.5 (the “post-performance adjustment upper limit for exercisable rights”). However, an exception may be made when a rights holder was also allocated other stock option rights during the period from October 1, 2014, to the final day of the final fiscal year, but this provision will be limited to rights for the other stock option scheme that is part of the stock-linked compensation plan that is similar to the stock options (the “similar stock options”). Should the post-performance adjustment upper limit for exercisable rights for similar stock options allocated prior to the allocation of the stock options include a fraction less than one, this fraction will be added to the post-performance adjustment upper limit for exercisable rights for the stock options. Other details are stipulated in the stock option grant contracts.

(2) When those granted stock options are outside directors of the Company as of the grant date

(Exercise period limitations)

Regardless of the provisions described above, stock options may not be exercisable during three years after the date of the grant of stock options.

(3) When those granted stock options are non-executive directors of the Company (excluding outside directors) as of the grant date

The period for exercise for all or some of the stock options granted to non-executive directors shall follow the provision described in (2) above, and the attained performance conditions described in (1) above shall also be applied for the remainder. Details are stipulated in the stock option grant contracts.

6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in “stock option grant contracts” agreed between the Company and those granted stock options.

	9th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Non-executive directors (including outside directors) in the Company: 10 people 2. Executive officers in the Company: 12 people 3. Senior Officers in the Company: 19 people 4. Directors and senior officers in subsidiaries: 10 people
Number of stock options granted by type of stock	Common shares: 73,700 shares (Note 1)
Granted date	October 1, 2017
Vesting conditions	(Note 5)
Vesting period	No relevant service period has been established.
Exercise period	From April 1, 2020 to March 31, 2032

Notes: 1. Options are presented after conversion to the number of shares.

2. Those granted stock options may exercise those options only while serving as directors or executive officers and/or senior officers of the Company or subsidiaries and during a period of five years after retiring from those positions.

3. When those who were granted stock options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.

4. When those granted stock options die, the heirs of those people may exercise the stock options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year that ends within a three year period from the date of the grant of stock options (the “final fiscal year”), whichever is later.

5. The following conditions are stipulated in stock option grant contracts agreed between the Company and those granted stock options based on the position of the individual granted stock options. The unit of exercise of stock options is one and the fraction is not exercisable.

(1) When those granted stock options are executive officers and/or senior officers of the Company or directors or senior officers of subsidiaries of the Company as of the grant date

(Attained performance conditions)

If the Company’s consolidated return on invested capital (ROIC; the “attained performance”) reaches 8.0% (the “target performance”) for the final fiscal year, those granted stock options may exercise all stock option rights. On the other hand, if the target performance is not achieved, the number of exercisable stock option rights shall not exceed an amount defined by multiplying the number of allotted rights by the degree of achievement－which shall be the number obtained by dividing the attained performance by the target performance and not less than 0.5 (the “post-performance adjustment upper limit for exercisable rights”). However, an exception may be made when a rights holder was also allocated other stock option rights during the period from October 1, 2017, to the final day of the final fiscal year, but this provision will be limited to rights for the other stock option scheme that is part of the stock-linked compensation plan that is similar to the stock options (the “similar stock options”). Should the post-performance adjustment upper limit for exercisable rights for similar stock options allocated prior to the allocation of the stock options include a fraction less than one, this fraction will be added to the post-performance adjustment upper limit for exercisable rights for the stock options. Other details are stipulated in the stock option grant contracts.

(2) When those granted stock options are outside directors of the Company as of the grant date

(Exercise period limitations)

Regardless of the provisions described above, stock options may not be exercisable during three years after the date of the grant of stock options.

(3) When those granted stock options are non-executive directors of the Company (excluding outside directors) as of the grant date

The period for exercise for all or some of the stock options granted to non-executive directors shall follow the provision described in (2) above, and the attained performance conditions described in (1) above shall also be applied for the remainder. Details are stipulated in the stock option grant contracts.

6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in “stock option grant contracts” agreed between the Company and those granted stock options.

(2) Movement of stock options and status of related changes

With respect to stock options existing during the fiscal year ended December 31, 2019, the relevant numbers of stock options and numbers of shares issuable on the conversion of stock options are as follows:

a) Number of stock options

	1st subscription rights to shares	2nd subscription rights to shares	3rd subscription rights to shares	4th subscription rights to shares	5th subscription rights to shares	6th subscription rights to shares	7th subscription rights to shares	8th subscription rights to shares	9th subscription rights to shares
Share subscription rights which are not yet vested									
Outstanding as of December 31, 2019	—	—	—	—	—	—	—	—	73,700
Granted	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—
Unvested balance	—	—	—	—	—	—	—	—	73,700
Share subscription rights which have already been vested									
Outstanding as of December 31, 2019	36,400	600	121,800	34,400	25,000	166,000	53,600	30,000	—
Vested	—	—	—	—	—	—	—	—	—
Exercised	—	—	6,200	17,800	5,400	15,600	2,200	8,200	—
Forfeited	—	—	—	—	—	—	—	—	—
Unexercised balance	36,400	600	115,600	16,600	19,600	150,400	51,400	21,800	—

Note: The Company consolidated its common shares at a rate of one share for every five shares on October 1, 2016.
The number of shares is calculated in consideration of the consolidation.

a) Price information

	1st subscription rights to shares	2nd subscription rights to shares	3rd subscription rights to shares	4th subscription rights to shares	5th subscription rights to shares	6th subscription rights to shares	7th subscription rights to shares	8th subscription rights to shares	9th subscription rights to shares
Exercise price (yen)	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
Weighted average exercise price (yen)	—	—	2,809	2,813	2,942	2,867	2,764	2,928	—
Fair value per stock at the granted date (yen)	1,705	1,715	1,225	1,440	2,600	3,065	1,995	2,748	3,453

Note: The Company consolidated its common shares at a rate of one share for every five shares on October 1, 2016.
The exercise price and fair value are calculated in consideration of the consolidation.

3. Method of estimating the fair value of stock options

No items to be reported.

4. Method of estimating the number of vested stock option rights

Basically, because reasonable estimation of the number of rights to be forfeited in the future is difficult, the method which reflects only the actual number of rights forfeited is used.

18. Income Taxes

1. Significant components of deferred tax assets and liabilities are as follows:

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Deferred tax assets:			
Provision for bonuses	**¥1,133**	¥1,180	**$10,341**
Loss recognized on a percentage-of-completion basis	**514**	516	**4,691**
Accrued enterprise tax	**329**	414	**3,003**
Net defined benefit liability	**3,114**	3,659	**28,423**
Provision for directors' retirement benefits	**31**	34	**283**
Unrealized gains on fixed assets	**266**	1,071	**2,428**
Tax loss carry forward (Note)	**3,614**	3,442	**32,986**
Valuation loss on investment securities	**651**	848	**5,942**
Loss on write-down of inventories	**2,399**	2,305	**21,897**
Provision for warranties for completed construction	**5,494**	5,392	**50,146**
Allowance for doubtful accounts	**1,951**	1,837	**17,808**
Provision for loss on litigation	—	2,364	—
Others	**9,270**	8,693	**84,611**
Subtotal	**¥28,772**	¥31,761	**$262,614**
Valuation allowance for tax loss carry forward (Note)	**(3,506)**	—	**(32,001)**
Valuation allowance for total of deductible temporary differences	**(10,473)**	—	**(95,591)**
Valuation allowance	**¥(13,980)**	¥(14,053)	**$(127,601)**
Total deferred tax assets	**¥14,791**	¥17,707	**$135,004**
Deferred tax liabilities:			
Retained earnings of subsidiaries	**(3,874)**	(3,334)	**(35,360)**
Net unrealized gains (losses) on investment securities	**(25)**	(111)	**(228)**
Others	**(1,921)**	(1,406)	**(17,534)**
Total deferred tax liabilities	**¥(5,821)**	¥(4,851)	**$(53,131)**
Net deferred tax assets	**¥8,970**	¥12,856	**$81,873**

Note：A breakdown of tax loss carry forward and valuation allowance by expiry date as of December 31, 2019 is as follows:

As of December 31, 2019	Millions of yen						
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carry forward (a)	**1,239**	**386**	**304**	**330**	**143**	**1,210**	**¥3,614**
Valuation allowance	**(1,239)**	**(384)**	**(304)**	**(314)**	**(143)**	**(1,120)**	**¥(3,506)**
Deferred tax assets	—	**1**	**0**	**15**	**0**	**90**	**(b) ¥108**

As of December 31, 2019	Thousands of U.S. dollars						
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carry forward (a)	**11,309**	**3,523**	**2,775**	**3,012**	**1,305**	**11,044**	**$32,986**
Valuation allowance	**(11,309)**	**(3,505)**	**(2,775)**	**(2,866)**	**(1,305)**	**(10,223)**	**$(32,001)**
Deferred tax assets	—	**9**	**0**	**137**	**0**	**821**	**(b) $986**

(a)The amount is determined by multiplying the corresponding tax loss carry forward by the effective statutory tax rate.

(b)The tax loss carry forward is determined to be recoverable in part as future taxable income is anticipated.

2. A summary of the major differences between the Japanese statutory tax rate and the Group's effective tax rate is as follows:

For the fiscal years ended December 31, 2019 and 2018		
	2019/12	2018/12
Statutory tax rate	**30.6%**	30.9%
Entertainment expenses and other expenses not deductible	**0.7**	0.8
Per capital equalization inhabitants' taxes	**1.4**	1.0
Dividends received not taxable	**(19.3)**	(18.6)
Dividends received effected by elimination from consolidation	**18.4**	18.2
Valuation allowance	**1.9**	(5.0)
Tax rate differences with overseas consolidated subsidiaries	**(5.9)**	(5.9)
Others	**0.7**	6.7
Effective tax rate as shown in statements of income	**28.6%**	27.9%

For the fiscal years ended December 31, 2019 and 2018

1. Overview of reportable segments

The reportable segments constitute units of the Group for which separate financial information is available and which the Board of Directors periodically examines for the purpose of deciding the allocation of management resources and evaluating operating performance.

The Group is conducting its business operations through three in-house companies: the Fluid Machinery & Systems Company, the Environmental Engineering Company and the Precision Machinery Company. Therefore, the Group is composed of product and service segments based along the lines of the in-house companies, and its three reportable segments are Fluid Machinery & Systems, Environmental Plants, and Precision Machinery.

The Group operates in the following three business segments:

Segment	Principal Products	Contents
Fluid Machinery & Systems	Pumps, compressors, turbines, freezer chillers, blowers, fans and others	Manufacture, sales, operation and maintenance (O&M) services and others
Environmental Plants	Municipal waste processing plants, industrial waste incineration plants, water treatments plants and others	Engineering, construction, O&M services and others
Precision Machinery	Dry vacuum pumps, CMP equipment, plating equipment, exhaust-gas treatment equipment and others	Manufacture, sales and maintenance and others

2. Calculation method used for sales, profits and losses, assets and liabilities, and other items for each reportable segment

The accounting method used for reportable business segments is the same as the method stated in “Notes to the Consolidated Financial Statements.”

Profits from reportable segments are figures based on operating income.

Intersegment sales are recorded at the same prices used in transactions with external customers.

3. Information about sales, profits and losses, assets and liabilities, and other items for each reportable segment for the fiscal years ended December 31, 2019 and 2018 is as follows:

	Millions of yen							
	Reportable segments							
For the fiscal year ended December 31, 2019	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Notes 2 and 3)	Consolidated (Note 4)
Sales to external customers	**¥323,139**	**¥69,505**	**¥128,255**	**¥520,900**	**¥1,524**	**¥522,424**	**¥—**	**¥522,424**
Intersegment sales and transfers	**693**	**7**	**0**	**701**	**2,646**	**3,347**	**(3,347)**	—
Total	**¥323,832**	**¥69,513**	**¥128,255**	**¥521,601**	**¥4,170**	**¥525,772**	**¥(3,347)**	**¥522,424**
Segment income	**¥17,274**	**¥7,486**	**¥10,371**	**¥35,131**	**¥145**	**¥35,277**	**¥21**	**¥35,298**
Segment assets	**¥313,032**	**¥52,418**	**¥141,909**	**¥507,359**	**¥27,257**	**¥534,616**	**¥60,622**	**¥595,239**
Others:								
Depreciation expense	**¥8,375**	**¥555**	**¥4,571**	**¥13,502**	**¥1,641**	**¥15,144**	**¥(11)**	**¥15,132**
Amortization of goodwill	**325**	—	—	**325**	—	**325**	—	**325**
Investments for companies applying equity method	—	**6,975**	—	**6,975**	—	**6,975**	—	**6,975**
Increase in tangible and intangible assets	**10,906**	**989**	**21,837**	**33,734**	**639**	**34,373**	**(4)**	**34,369**

For the fiscal year ended December 31, 2019	Thousands of U.S. dollars							
	Reportable segments							
	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Notes 2 and 3)	Consolidated (Note 4)
Sales to external customers	**$2,949,425**	**$634,401**	**$1,170,637**	**$4,754,472**	**$13,910**	**$4,768,383**	**$—**	**$4,768,383**
Intersegment sales and transfers	**6,325**	**64**	**0**	**6,398**	**24,151**	**30,549**	**(30,549)**	—
Total	**$2,955,750**	**$634,474**	**$1,170,637**	**$4,760,871**	**$38,061**	**$4,798,941**	**$(30,549)**	**$4,768,383**
Segment income	**$157,667**	**$68,328**	**$94,660**	**$320,655**	**$1,323**	**$321,988**	**$192**	**$322,180**
Segment assets	**$2,857,174**	**$478,441**	**$1,295,263**	**$4,630,878**	**$248,786**	**$4,879,664**	**$553,322**	**$5,432,996**
Others:								
Depreciation expense	**$76,442**	**$5,066**	**$41,721**	**$123,238**	**$14,978**	**$138,226**	**$(100)**	**$138,116**
Amortization of goodwill	**2,966**	—	—	**2,966**	—	**2,966**	—	**2,966**
Investments for companies applying equity method	—	**63,664**	—	**63,664**	—	**63,664**	—	**63,664**
Increase in tangible and intangible assets	**99,544**	**9,027**	**199,315**	**307,904**	**5,832**	**313,737**	**(37)**	**313,700**

Notes:1. The “Others” item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.
2. The “Adjustments” item is as follows:
(1) Segment income shows eliminations among intersegment sales and transfers.
(2) The total value of the adjustment of segment assets for the Company was total assets of the Group amounting to ¥63,422 million ($578,879 thousand), and intersegment eliminations amounting to ¥(2,799) million ($(25,548) thousand). The main total assets of the Group are cash and cash equivalents, a part of investment securities, deferred tax assets and others.
3. The adjustments of “Depreciation expense” and “Increase in tangible and intangible assets” under “Others” are due to the elimination of intersegment transactions.
4. Segment income and segment assets have been reconciled with operating income in the consolidated statement of income and total assets in the consolidated balance sheet, respectively.
5. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended December 31, 2019. Comparative information for the previous fiscal year is presented in accordance with retroactive application of this accounting standard.

For the fiscal year ended December 31, 2018	Millions of yen							
	Reportable segments							
	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Notes 2 and 3)	Consolidated (Note 4)
Sales to external customers	**¥308,999**	**¥62,812**	**¥135,709**	**¥507,520**	**¥1,655**	**¥509,175**	**¥—**	**¥509,175**
Intersegment sales and transfers	**578**	—	—	**578**	**2,802**	**3,380**	**(3,380)**	—
Total	**¥309,577**	**¥62,812**	**¥135,709**	**¥508,098**	**¥4,457**	**¥512,556**	**¥(3,380)**	**¥509,175**
Segment income	**¥8,747**	**¥4,904**	**¥18,567**	**¥32,220**	**¥291**	**¥32,511**	**¥(29)**	**¥32,482**
Segment assets	**¥310,195**	**¥42,133**	**¥131,172**	**¥483,500**	**¥25,499**	**¥508,999**	**¥82,582**	**¥591,582**
Others:								
Depreciation expense	**¥8,499**	**¥565**	**¥4,033**	**¥13,098**	**¥2,180**	**¥15,278**	**¥(12)**	**¥15,266**
Amortization of goodwill	**345**	—	—	**345**	—	**345**	—	**345**
Investments for companies applying equity method	—	**6,165**	—	**6,165**	—	**6,165**	—	**6,165**
Increase in tangible and intangible assets	**10,645**	**788**	**6,740**	**18,174**	**1,218**	**19,393**	**(29)**	**19,364**

Notes:1. The “Others” item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.
2. The “Adjustments” item is as follows:
(1) Segment income shows eliminations among intersegment sales and transfers.
(2) The total value of the adjustment of segment assets for the Company was total assets of the Group amounting to ¥84,147 million, and intersegment eliminations amounting to ¥(1,565) million. The main total assets of the Group are cash and cash equivalents, a part of investment securities, deferred tax assets and others.
3. The adjustments of “Depreciation expense” and “Increase in tangible and intangible assets” under “Others” are due to the elimination of intersegment transactions.
4. Segment income and segment assets have been reconciled with operating income in the consolidated statement of income and total assets in the consolidated balance sheet, respectively.

Reference information

1. Geographical segment information for the fiscal years ended December 31, 2019 and 2018 is as follows:

a. Net sales

For the fiscal years ended December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Japan	**¥233,353**	¥228,954	**$2,129,911**
China	**80,611**	74,557	**735,770**
Other Asia	**87,889**	92,844	**802,200**
North America	**55,343**	47,317	**505,139**
Others	**65,226**	65,501	**595,345**
Total	**¥522,424**	¥509,175	**$4,768,383**

Note: Net sales information above is based on the location of the customer.

(Changes in presentation)

Sales in China which were included in “Asia (except Japan)” are separately presented from the fiscal year ended December 31, 2019 due to increase in materiality. Additionally, “Asia (except Japan)” excluding China is reclassified as “Other Asia.” In order to reflect these changes in presentation, the figures for the previous fiscal year ended December 31, 2018 have been reclassified.

b. Property, plant and equipment

As of December 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars
	2019/12	2018/12	2019/12
Japan	**¥87,545**	¥72,507	**$799,060**
Asia	**13,804**	12,581	**125,995**
United States	**18,366**	17,461	**167,634**
Others	**5,182**	5,328	**47,298**
Total	**¥124,898**	¥107,879	**$1,139,996**

(Changes in presentation)

Property, plant and equipment in the United States which were included in “North America” are separately presented from the fiscal year ended December 31, 2019 due to increase in materiality. Additionally, “North America” excluding the United States is reclassified as “Others.” In order to reflect these changes in presentation, the figures for the previous fiscal year ended December 31, 2018 have been reclassified.

Information about impairment loss on fixed assets by reportable segment for the fiscal years ended December 31, 2019 and 2018 is as follows:

	Millions of yen						
	Reportable segments						
For the fiscal year ended December 31, 2019	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	**¥330**	**¥—**	**¥25**	**¥356**	**¥756**	**¥—**	**¥1,112**

Note: The “Others” category represents amounts related to business segments that are not included in reportable segments.

	Thousands of U.S. dollars						
	Reportable segments						
For the fiscal year ended December 31, 2019	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	**$3,012**	**$—**	**$228**	**$3,249**	**$6,900**	**$—**	**$10,150**

	Millions of yen						
	Reportable segments						
For the fiscal year ended December 31, 2018	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	¥2,031	¥—	¥22	¥2,054	¥572	¥—	¥2,627

Note: The “Others” category represents amounts related to business segments that are not included in reportable segments.

Information about amortization of goodwill and year-end balances by reportable segment for the fiscal years ended December 31, 2019 and 2018 is as follows:

	Millions of yen						
	Reportable segments						
For the fiscal year ended December 31, 2019	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	**¥325**	**¥—**	**¥—**	**¥325**	**¥—**	**¥—**	**¥325**
Balance as of December 31, 2019	**¥774**	**¥—**	**¥—**	**¥774**	**¥—**	**¥—**	**¥774**

	Thousands of U.S. dollars						
	Reportable segments						
For the fiscal year ended December 31, 2019	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	**$2,966**	**$—**	**$—**	**$2,966**	**$—**	**$—**	**$2,966**
Balance as of December 31, 2019	**$7,065**	**$—**	**$—**	**$7,065**	**$—**	**$—**	**$7,065**

	Millions of yen						
	Reportable segments						
For the fiscal year ended December 31, 2018	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	¥345	¥—	¥—	¥345	¥—	¥—	¥345
Balance as of December 31, 2018	¥1,148	¥—	¥—	¥1,148	¥—	¥—	¥1,148

20. Significant Subsequent Events

No items to be reported.

Building a better
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Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
ey.com

Independent Auditor's Report

The Board of Directors
EBARA CORPORATION

We have audited the accompanying consolidated financial statements of EBARA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EBARA CORPORATION and its consolidated subsidiaries as at December 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

March 27, 2020
Tokyo, Japan

EBARA CORPORATION

Head Office

11-1, Haneda Asahi-cho, Ota-ku, Tokyo 144-8510, Japan

Phone: 81-3-3743-6111

URL: http://www.ebara.co.jp/en