

Nonconsolidated Balance Sheet March 31, 2020

<u>ASSETS</u>	<u>Thousands of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u> <u>(Note 1)</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 2,262,284	¥ 2,751,595	\$ 20,787
Receivables (Notes 6, 12 and 13):			
Trade notes	11,164,319	13,530,147	102,584
Trade accounts	29,527,829	31,883,979	271,320
Subsidiaries and associated companies	12,789,099	10,155,813	117,514
Other	1,282,085	949,911	11,780
Allowance for doubtful receivables	(146,545)	(152,703)	(1,346)
Inventories	7,027,724	7,591,725	64,575
Other current assets (Note 6)	<u>437,376</u>	<u>1,261,029</u>	<u>4,018</u>
Total current assets	<u>64,344,173</u>	<u>67,971,498</u>	<u>591,235</u>
PROPERTY, PLANT AND EQUIPMENT			
(Notes 4 and 11):			
Land	2,793,586	2,793,586	25,669
Buildings and structures	2,114,474	2,106,442	19,429
Machinery and equipment	140,123	114,722	1,287
Furniture and fixtures	414,355	363,058	3,807
Lease assets	<u>55,200</u>	<u>79,932</u>	<u>507</u>
Total property, plant and equipment	<u>5,517,739</u>	<u>5,457,742</u>	<u>50,700</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 12)	43,110,048	42,902,012	396,122
Investments in and advances to subsidiaries and associated companies (Notes 6, 12 and 13)	17,930,474	16,795,673	164,756
Other assets	<u>1,875,587</u>	<u>3,932,467</u>	<u>17,234</u>
Total investments and other assets	<u>62,916,111</u>	<u>63,630,154</u>	<u>578,113</u>
TOTAL	<u>¥ 132,778,023</u>	<u>¥ 137,059,395</u>	<u>\$ 1,220,049</u>

See notes to nonconsolidated financial statements.

LIABILITIES AND EQUITY	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
CURRENT LIABILITIES:			
Short-term bank loans (Note 12)	¥ 14,643,106	¥ 14,084,900	\$ 134,550
Short-term borrowings (Note 12)	384,405	391,965	3,532
Current portion of long-term debt (Notes 11 and 12)	11,588,222	10,886,358	106,480
Payables (Notes 3, 6 and 12):			
Trade notes	1,468,493	2,014,905	13,493
Trade accounts	21,939,965	28,022,846	201,598
Subsidiaries and associated companies	1,093,938	1,341,749	10,051
Other	3,907,711	2,527,767	35,906
Income taxes payable	911,513	659,952	8,375
Other current liabilities (Note 6)	<u>812,845</u>	<u>951,474</u>	<u>7,468</u>
Total current liabilities	<u>56,750,202</u>	<u>60,881,919</u>	<u>521,457</u>
LONG-TERM LIABILITIES:			
Long-term debt (Notes 11 and 12)	29,971,001	29,069,087	275,392
Liability for retirement benefits	1,029,116	994,904	9,456
Deferred tax liabilities (Note 10)	2,484,663	2,876,191	22,830
Other	<u>351,707</u>	<u>362,009</u>	<u>3,231</u>
Total long-term liabilities	<u>33,836,488</u>	<u>33,302,191</u>	<u>310,911</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 5 and 13)			
EQUITY (Notes 9 and 14):			
Capital stock—authorized, 68,000,000 shares: issued, 34,000,000 shares in 2020 and 17,000,000 shares in 2019	5,100,000	5,100,000	46,862
Capital surplus:			
Additional paid-in capital	425	425	3
Other capital surplus	49,950		458
Retained earnings:			
Legal reserve	427,030	390,550	3,923
Unappropriated	31,734,447	30,554,023	291,596
Unrealized gain on available-for-sale securities	4,884,596	7,140,334	44,882
Deferred gains or losses on hedges	(5,116)		(47)
Treasury stock—at cost, 1,800,000 shares in 2019		<u>(310,049)</u>	
Total equity	<u>42,191,333</u>	<u>42,875,284</u>	<u>387,681</u>
TOTAL	<u>¥ 132,778,023</u>	<u>¥ 137,059,395</u>	<u>\$ 1,220,049</u>

Nonconsolidated Statement of Income Year Ended March 31, 2020

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET SALES (Notes 7 and 13)	¥ 140,111,686	¥ 142,939,849	\$ 1,287,436
COST OF SALES (Note 7)	<u>129,484,229</u>	<u>132,061,080</u>	<u>1,189,784</u>
Gross profit	10,627,456	10,878,768	97,651
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 7)	<u>7,448,227</u>	<u>7,347,348</u>	<u>68,439</u>
Operating income	<u>3,179,229</u>	<u>3,531,420</u>	<u>29,212</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income (Notes 7 and 13)	1,534,267	845,969	14,097
Interest expense (Note 7)	(421,793)	(366,613)	(3,875)
Foreign exchange gain	190,548	222,273	1,750
Gain on sales of investment securities	1,924,612	297,574	17,684
Gain on return of assets from retirement benefits trust	1,458,965		13,405
Loss on valuation of investment securities	(1,463,573)	(595,632)	(13,448)
Loss on valuation of investment in subsidiaries and associated companies	(113,728)	(56,864)	(1,045)
Provision of allowance for doubtful accounts	(86,736)		(796)
Loss on support to subsidiaries and associates (Note 8)	(2,320,725)	(242,760)	(21,324)
Other—net (Note 7)	<u>(31,636)</u>	<u>(97,564)</u>	<u>(290)</u>
Other income—net	<u>670,200</u>	<u>6,382</u>	<u>6,158</u>
INCOME BEFORE INCOME TAXES	<u>3,849,429</u>	<u>3,537,803</u>	<u>35,371</u>
INCOME TAXES:			
Current	1,677,137	1,476,843	15,410
Deferred	<u>590,588</u>	<u>17,957</u>	<u>5,426</u>
Total income taxes	<u>2,267,725</u>	<u>1,494,801</u>	<u>20,837</u>
NET INCOME	<u>¥ 1,581,703</u>	<u>¥ 2,043,001</u>	<u>\$ 14,533</u>
	Yen		U.S. Dollars
PER SHARE			
Basic net income	¥ 47.78	¥ 134.41	\$ 0.44
Cash dividends applicable to the year	24.00	14.00	0.22

See notes to nonconsolidated financial statements.

Notes to Nonconsolidated Financial Statements

Year Ended March 31, 2020

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by CBC Co., Ltd. (the "Company"), in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations and in accordance with accounting principles generally accepted in Japan. The information provided in the notes to the nonconsolidated financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein. Japanese yen figures less than a thousand yen are rounded down to the nearest thousand yen.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Valuation Basis and Method for Assets

(1) Valuation basis and method for securities

Investments in subsidiaries and associated companies:

Investments in subsidiaries and associated companies are stated at cost determined by the moving-average method.

Available-for-sale securities:

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. The cost of securities sold is determined based on the moving average-method.

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

(2) *Valuation basis and method for inventories*

Inventories are stated at the lower of cost, mainly determined by the moving-average method, or net selling value.

(3) *Valuation basis and method for derivatives*

Derivatives are primarily recorded at market value.

b. Depreciation and Amortization

(1) *Property, plant and equipment (except for lease assets)*

Depreciation is computed by the declining balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016.

The ranges of estimated useful lives are as follows:

Buildings:	6 to 65 years
Furniture and fixtures:	2 to 20 years

(2) *Intangible assets (except for lease assets)*

Amortization is computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over the estimated useful life of five years.

(3) *Lease assets*

For depreciation of leased assets under finance leases that do not transfer ownership of leased properties, the Company applies the straight-line method over the lease term with a residual value stated in the contract or a residual value of zero.

c. Accounting Policies for Reserves

(1) *Allowance for doubtful receivables*

The allowance for doubtful receivables is stated at amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(2) *Accrued employees' bonuses*

Bonuses to employees are accrued in the year to which such bonuses are attributable.

(3) *Accrued directors' bonuses*

Bonuses to corporate officers and executive officers are accrued in the year to which such bonuses are attributable.

(4) *Liability for employees' retirement benefits*

Liability for employees' retirement benefits are provided at the amount calculated based on the projected benefit obligations and plan assets at the balance sheet date.

(a) The method of attributing expected retirement benefits to periods

The projected benefit obligations are attributed to periods on a benefit formula basis.

(b) Amortization of actuarial gains and losses and past service cost

Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Past service cost is mainly amortized, starting with the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees.

- (5) *Allowance for retirement benefits to corporate officers and executive officers*
Allowances for retirement benefits to corporate officers and executive officers of the Company are calculated to state the liability at the amount that would be required if all corporate officers and executive officers terminated their services with the Company at the balance sheet date.

d. Policy for Hedge Accounting

- (1) *Hedge accounting policy*

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. The derivative financial instruments which qualify for hedge accounting are measured at fair value at the balance sheet date, and unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting as a separate component of equity. The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

- (2) *Derivative transactions (hedging instruments) and hedged item*

Derivative transactions (hedging instruments):	Interest rate swaps, foreign exchange forward contracts and borrowing in foreign currency
Hedged item:	Long-term debt and foreign currency denominated transactions

- (3) *Hedging policy*

Interest rate swaps and foreign exchange forward contracts are utilized in accordance with internal policies to hedge interest rate exposures associated

with long-term debt and foreign exchange exposures.

(4) *Evaluation of effectiveness of hedging transaction*

The effectiveness of hedging is determined by comparing the cumulative changes in cash flows of the hedged items and hedging instruments during the period from the inception of the hedge to the date of the effectiveness test. The evaluation of effectiveness of interest rate swaps that qualify for hedge accounting and meet specific matching criteria is omitted.

e. Foreign Currency Translation

All short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

f. Accounting Treatments for Retirement Benefit

Accounting treatments for unrecognized actuarial gains and losses and unrecognized past service costs in the nonconsolidated financial statements are different from those in the consolidated financial statements.

g. Accounting for Consumption Tax

Consumption tax is excluded from income and expense.

3. ASSETS AND LIABILITIES PLEDGED AS COLLATERAL

	<u>Thousands of Yen</u>
(1) Assets pledged as collateral:	
Investment securities	¥ 6,567,137
(2) Liabilities collateralized:	
Notes and accounts payable—trade	7,566,432
Accounts payable—other	58

4. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation of property, plant and equipment was ¥6,514,355

thousand as of March 31, 2020.

5. CONTINGENT LIABILITIES

	<u>Thousands of Yen</u>
Guarantee	¥ 14,313,672
Export draft discounted	322,720

The export draft discounted includes ¥235,358 thousand of a letter of credit, which was unsettled between the banks.

6. DUE FROM/TO SUBSIDIARIES AND ASSOCIATED COMPANIES

	<u>Thousands of Yen</u>
Short-term receivables due from subsidiaries and associated companies	¥ 12,802,115
Short-term payables due to subsidiaries and associated companies	1,483,074
Long-term receivables due from subsidiaries and associated companies	1,477,466

7. TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

	<u>Thousands of Yen</u>
Operating transactions:	
Sales	¥ 15,581,265
Purchases	14,294,122
Nonoperating transactions	3,224,029

8. LOSS ON SUPPORT TO SUBSIDIARIES AND ASSOCIATES

The Company recorded a loss on the debt forgiveness of loans receivable from subsidiaries in the United States and China.

9. EQUITY

(1) *Number of Shares of Issued Stock*

	Number of Shares at March 31, 2020
Issued stock—common stock	30,400,000
Issued stock—class stock	3,600,000

(2) *Dividends*

<u>Date of Resolution</u>	<u>Class of Shares</u>	<u>Thousands of Yen</u>	<u>Yen</u>	<u>Date Attributable to Dividends</u>	<u>Effective Date</u>
		<u>Dividends Payment</u>	<u>Dividends per Share</u>		
The general meeting of shareholders (June 28, 2019)	Common stock	¥ 364,800	¥ 24.00	As of March 31, 2019	As of July 1, 2019

(3) *Dividends for Which the Effective Date Is after the Year-End*

The proposal for dividends attributable to the year ended March 31, 2020, will be discussed at the general meeting of shareholders on June 26, 2020.

<u>Date of Resolution</u>	<u>Class of Shares</u>	<u>Thousands of Yen</u>	<u>Reserve for Dividends</u>	<u>Yen</u>	<u>Date Attributable to Dividends</u>	<u>Effective Date</u>
		<u>Dividends Payment</u>		<u>Dividends per Share</u>		
The general meeting of shareholders (June 26, 2020)	Common stock and class stock	¥ 476,000	Retained earnings	¥ 14.00	As of March 31, 2020	As of July 1, 2020

10. TAX ASSETS AND LIABILITIES

Components of Deferred Tax Assets and Liabilities

	<u>Thousands of Yen</u>
Deferred tax assets:	
Allowance for doubtful receivables	¥ 428,128
Accrued employees' bonuses	130,184
Loss on valuation of goods	103,450
Allowance for employees' retirement benefits	314,909
Employee retirement, benefit trust	314,787
Loss on valuation of investments in subsidiaries and associated companies	1,350,308
Loss on valuation of investment securities	928,161
Loss on valuation of golf membership	151,843
Retirement allowances for directors	71,724
Impairment loss of fixed assets	328,797
Other	<u>119,369</u>
Subtotal of deferred tax assets	4,241,665
Less valuation allowances	<u>(3,117,172)</u>
 Total deferred tax assets	 <u>1,124,493</u>
 Deferred tax liabilities:	
Prepaid pension cost	(254,347)
Gain on valuation of investment securities	(1,111,227)
Unrealized gain on available-for-sale securities	(2,204,102)
Other	<u>(39,479)</u>
 Total deferred tax liabilities	 <u>(3,609,156)</u>
 Deferred tax liabilities—net	 <u>¥ (2,484,663)</u>

11. LEASES

The Company leases factory machinery, facilities, personal computers and computer peripheral equipment under finance lease contracts that do not transfer ownership of the leased property.

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Matters Related to the Status of Financial Instruments*

The Company uses financial instruments, mainly bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets, such as short-term deposits.

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company manages its credit risk from receivables on the basis of its internal accounting manual and internal policies. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position of foreign currencies is hedged by using forward foreign currency contracts.

Investment securities are primarily shares of stock, and the Company monitors the fair value of listed shares on a semiannual basis.

The primary purpose of debt is securing operating capital (mainly short-term bank loans) and funds required for capital investments (long-term debt). The Company enters into interest rate swap agreements with regard to certain long-term debt in order to effectively limit the Company's interest expense.

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

(2) *Matters Related to the Fair Values of Financial Instruments*

The carrying amounts, fair values and their differences as of March 31, 2020 (balance sheet date), are as follows:

	Thousands of Yen		
	<u>Carrying Amount*</u>	<u>Fair Value*</u>	<u>Difference</u>
(a) Cash and bank deposits	¥ 2,262,284	¥ 2,262,284	
(b) Notes receivable—trade	11,164,319	11,164,319	
(c) Accounts receivable—trade	36,133,995	36,133,995	
(d) Accounts receivable—other	3,546,265	3,546,265	
(e) Investment securities— available-for-sale securities	37,222,897	37,222,897	
(f) Notes payable—trade	(1,468,493)	(1,468,493)	
(g) Accounts payable—trade	(22,922,278)	(22,922,278)	
(h) Short-term bank loans	(14,643,106)	(14,643,106)	
(i) Short-term borrowings	(384,405)	(384,405)	
(j) Accounts payable—other	(4,019,337)	(4,019,337)	
(k) Long-term debt	(41,487,100)	(41,510,306)	¥ 23,206
(l) Derivatives	48,153	48,153	

* Liabilities are disclosed in parentheses.

Notes:

1. Method of calculating the fair values of financial instruments, marketable securities and derivative transactions

(a) Cash and bank deposits, (b) Notes receivable—trade, (c) Accounts receivable—trade and (d) Accounts receivable—other

The carrying values of these assets approximate fair values because of their short maturities.

(e) Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments.

(f) Notes payable—trade, (g) Accounts payable—trade, (h) Short-term bank loans, (i) Short-term borrowings and (j) Accounts payable—other

The carrying values of these liabilities approximate fair values because of their short maturities.

(k) Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Company's assumed corporate discount rate.

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

(l) Derivatives

Derivative transactions to which the Company did not apply hedge accounting (mainly foreign exchange contract) are measured at the forward exchange rate.

Interest rate swaps that meet specific matching criteria are used to hedge the interest exposure. Fair value of derivative financial instruments is included in fair value of the long-term debt as hedged items (see (k)).

2. Financial instruments whose fair values cannot be reliably determined

	<u>Carrying Amount</u>
	<u>Thousands of Yen</u>
Investment securities—available-for-sale securities	¥ 5,887,151
Investments in subsidiaries and associated companies	12,240,026
Investments in capital of subsidiaries and associated companies	5,097,708

Since financial instruments listed above do not have market prices and their fair values or future cash flows cannot be reliably determined, they are not included in "(2) Matters related to the fair values of financial instruments."

3. The current portion of long-term debt is included in long-term debt.