

Analysis on Operating Results

Descriptions and statements in relation to forward-looking projections disclosed in this document reflect the judgment of the Group as of March 31, 2020.

Operating Results Review for the Current Fiscal Year

During the fiscal year ended March 31, 2020, business conditions of the Japanese economy have recovered moderately, although some weakness remained. This is due in part to the effects of various government policies amid the improving labor market and increasing salary levels. The global economy continued to recover moderately as a whole, despite the risks of uncertainty related to developments in trade issues, the outlook for the Chinese economy and the government policies. Meanwhile, the global outbreak of COVID-19 has been constraining the economic activity since January 2020, and the economy has slowed rapidly.

Under such circumstances, in order to achieve the Midterm Business Plan 2020, covering the period up to FY2020 (fiscal year ending March 31, 2021), the Group has been trying its best to implement the priority measures: i) strategic development investment, ii) business strategy (enhancement of foundation field and expansion of growth field) and iii) efforts of sustainable ESG.

The domestic business environment in which the Group operates has continued to face challenges including a downward trend in the level of public spending, a sharp increase in labor costs arising from shortage of human resources, and some delays in civil engineering projects and construction work.

In the overseas businesses, the Group sought to accelerate business developments centered around Europe and the United States., where stable market growth is expected. As part of it, the Group has sought to achieve further business expansion especially through Aqua-Aerobic Systems, Inc., the subsidiary located in the United States, as our business base.

The operating results of the Group for the fiscal year ended March 31, 2020 are as presented in the table below.

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Increase/ (decrease) (Millions of yen)	Increase/ (decrease) (%)
Net sales	117,342	128,723	11,381	9.7
Operating income	7,607	8,223	615	8.1
Ordinary income	7,624	8,132	508	6.7
Profit attributable to owners of parent	5,170	5,677	506	9.8
Sales orders	123,807	125,011	1,204	1.0
Outstanding orders	142,351	138,639	(3,711)	(2.6)

The Group's business consists of two segments: Plant Engineering Business Segment including EPC as foundation field and foreign business as growth field and Service Solutions Business Segment including O&M as foundation field and PPP as growth field.

Operating results by segment are as follows:

(Plant Engineering Business)

The operating results of the Plant Engineering Business are as presented in the table below.

In the EPC business, the net sales showed a steady growth, while the operating income remained at the same level year on year due to the differences in the composition of projects. Both net sales and operating income in the international business remained approximately at the same level year on year.

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Increase/ (decrease) (Millions of yen)	Increase/ (decrease) (%)
Net sales	65,517	72,366	6,848	10.5
Operating income	3,191	3,188	(3)	(0.1)
Sales orders	73,915	67,861	(6,053)	(8.2)
Outstanding orders	83,047	78,542	(4,505)	(5.4)

(Service Solutions Business)

The operating results of the Service Solutions Business are as presented in the table below.

Both net sales and operating income in the O&M business showed a steady growth. Both net sales and operating income in the PPP business also showed a steady growth.

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Increase/ (decrease) (Millions of yen)	Increase/ (decrease) (%)
Net sales	51,824	56,356	4,532	8.7
Operating income	4,416	5,035	619	14.0
Sales orders	49,892	57,150	7,258	14.5
Outstanding orders	59,303	60,097	793	1.3

Financial Position Review for the Current Fiscal Year

Total assets as of March 31, 2020 decreased by ¥13,151 million compared to March 31, 2019 to ¥119,469 million. Current assets decreased by ¥13,596 million compared to March 31, 2019 to ¥101,941 million due to a decrease in work in process and cash and deposits, offsetting with an increase in accounts receivable - trade. Non-current assets increased by ¥444 million compared to March 31, 2019 to ¥17,527 million due to an increase in assets for retirement benefits. Current liabilities decreased by ¥1,992 million compared to March 31, 2019 to ¥54,333 million due to a decrease in advances received, offsetting with an increase in accounts payable - trade. Non-current liabilities decreased by ¥1,720 million compared to March 31, 2019 to ¥15,542 million due to a decrease in PFI and other project finance loans. Total net assets decreased by ¥9,438 million compared to March 31, 2019 to ¥49,592 million due to a decrease resulting from purchase of treasury stock.

Cash Flow Review

The balance of cash and cash equivalents (hereinafter the "funds") as of March 31, 2020 decreased by ¥14,920 million compared to March 31, 2019 to ¥12,876 million. An analysis of the cash flows for the fiscal year ended March 31, 2020 and related commentary thereon is presented below:

(Cash flows from operating activities)

The funds generated by operating activities was ¥3,521 million (¥2,715 million decrease year to year): ¥8,132 million of income before income taxes and ¥1,098 million of depreciation, offsetting with ¥1,859 million increase in notes and accounts receivable - trade and ¥2,537 million used for payment of income taxes.

(Cash flows from investing activities)

The funds used for investing activities was ¥1,380 million (¥575 million increase year to year): ¥600 million used for purchase of property, plant and equipment and ¥179 million used for purchase of intangible assets.

(Cash flows from financing activities)

The funds used for financing activities was ¥17,072 million (¥14,455 million increase year to year): ¥1,607 million used for payment of dividends, ¥844 million used for repayments of PFI and other project finance loans and ¥14,288 million used for purchase of treasury stock.

Issues to be Addressed

In the Group's main business in the domestic water and sewage treatment market, the financial difficulties of local governments and shortage of engineers have become evident, which are attributable to the population decline. In addition, measures for facilities and equipment, which are aging, as well as natural disasters such as large earthquakes and torrential rains are urgent issues. Under these circumstances, new government policies including revisions of the PFI Act and the Water Supply Act (promulgated in December 2018) are encouraging public-private partnerships using private funds, technology and know-how in public infrastructure development as well as studies of expanded coverage areas as measures to strengthen the management of water and sewage business operators. In addition, the creation of new business opportunities and business models backed by technological innovations such as IoT, AI and 5G is expected in the future. On the other hand, overseas water and sewage market, mainly in Europe and the United States, are faced with needs for countermeasures against aging facilities and equipment and the tightening of environmental regulations. While in areas including emerging Asian countries, demand is growing for the development of a water and sewage infrastructure in conjunction with the increasing population and demand for water. Going forward, the emergence of business opportunities in line with these issues and needs of the water and sewage market of each country is expected to continue.

In light of this business environment, the Group has developed the Midterm business plan 2020, covering the period up to FY2020 (fiscal year ending March 31, 2021), as the first stage in achieving its long-term vision (ten-year-vision). The entire Company is working together to address three priority issues of "strategic development investment," "business strategy," and "efforts of sustainable ESG," in order to achieve the management targets for FY2020 of sales orders of ¥140.0 billion, net sales of ¥130.0 billion, and operating income of ¥9.0 billion. The economy has continued to rapidly slowed down since January 2020, due to the impact of COVID-19. Since the trends going forward are uncertain at present, the impact of COVID-19 is not incorporated in the plan for FY2020.

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2020
Assets				
Current assets				
Cash and deposits	*3 25,805	*3 28,589	*3 13,645	125,379
Notes and accounts receivable - trade	*3 72,164	*3 76,282	*3 78,109	717,715
Work in process	2,623	4,670	3,357	30,846
Supplies	3,299	3,932	4,711	43,287
Other current assets	*4 1,508	*4 2,062	*4 2,118	19,461
Total current assets	105,401	115,538	101,941	936,699
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	1,189	1,300	1,222	11,228
Machinery and equipment, net	818	970	1,172	10,769
Tools, furniture and fixtures, net	423	462	391	3,592
Construction in progress	235	153	117	1,075
Other property, plant and equipment, net	315	301	280	2,572
Total property, plant and equipment	*2 2,982	*2 3,188	*2 3,184	29,256
Intangible assets				
Software	890	517	445	4,088
Software in progress	94	29	144	1,323
Goodwill	1,842	1,670	1,671	15,354
Customer-related assets	2,769	2,539	2,506	23,026
Other intangible assets	1,463	1,314	1,240	11,393
Total intangible assets	7,060	6,072	6,008	55,205
Investments and other assets				
Investment securities	*1, *4 1,345	*1, *4 1,342	*1, *4 1,568	14,407
Long-term loans receivable	*4 224	*4 196	*4 173	1,589
Guarantee deposits	1,528	1,604	1,561	14,343
Assets for retirement benefits	821	1,374	2,172	19,957
Deferred tax assets - non-current	3,541	3,268	2,783	25,571
Other non-current assets	47	35	74	679
Total investments and other assets	7,509	7,822	8,333	76,568
Total non-current assets	17,551	17,082	17,527	161,049
Total assets	122,952	132,620	119,469	1,097,757

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2020
Liabilities				
Current liabilities				
Accounts payable - trade	18,372	18,278	19,801	181,944
Electronically recorded obligations	8,155	8,380	11,603	106,615
Short-term loans payable	269	337	276	2,536
Current portion of PFI and other projects finance loans	*3 833	*3 844	*3 855	7,856
Income taxes payable	2,173	2,419	2,206	20,270
Advances received	10,719	16,075	9,011	82,798
Provision for warranties for completed construction	857	1,361	1,340	12,312
Provision for loss on construction contracts	204	517	579	5,320
Other current liabilities	7,340	8,111	8,658	79,555
Total current liabilities	48,927	56,326	54,333	499,246
Non-current liabilities				
Long-term loans payable	2,050	1,847	1,539	14,141
PFI and other projects finance loans	*3 11,549	*3 10,705	*3 9,849	90,498
Liability for retirement benefit	5,294	4,603	4,025	36,984
Other non-current liabilities	88	107	128	1,176
Total non-current liabilities	18,982	17,262	15,542	142,809
Total liabilities	67,910	73,589	69,876	642,065
Net assets				
Shareholders' equity				
Capital stock	11,946	11,946	11,946	109,767
Capital surplus	15,080	15,080	15,080	138,564
Retained earnings	30,214	33,830	37,900	348,249
Treasury stock	(0)	(0)	(14,289)	(131,296)
Total shareholders' equity	57,241	60,856	50,638	465,294
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	54	49	54	496
Foreign currency translation adjustment	84	(371)	(366)	(3,363)
Remeasurements of defined benefit plans	(2,474)	(1,645)	(882)	(8,104)
Total accumulated other comprehensive income	(2,335)	(1,967)	(1,194)	(10,971)
Non-controlling interests	136	142	148	1,359
Total net assets	55,042	59,031	49,592	455,683
Total liabilities and net assets	122,952	132,620	119,469	1,097,757

[Consolidated Statement of Income]

	Millions of yen			Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
Net sales	110,895	117,342	128,723	1,182,789
Cost of sales	*1 86,925	*1 91,442	*1 101,846	935,826
Gross profit	23,970	25,899	26,877	246,963
Selling, general and administrative expenses	*2, *4 17,224	*2, *4 18,291	*2, *4 18,653	171,395
Operating income	6,745	7,607	8,223	75,558
Non-operating income:				
Interest income	193	194	175	1,608
Dividends income	34	56	52	477
Foreign exchange gain	—	152	—	—
Miscellaneous income	17	7	25	229
Total non-operating income	245	410	253	2,324
Non-operating expenses:				
Interest expenses	217	218	190	1,745
Loss on valuation of investment securities	—	87	—	—
Loss on disposal of non-current assets	*3 66	*3 84	*3 68	624
Foreign exchange loss	236	—	59	542
Miscellaneous loss	4	3	25	229
Total non-operating expenses	526	394	344	3,160
Ordinary income	6,465	7,624	8,132	74,722
Income before income taxes	6,465	7,624	8,132	74,722
Income taxes - current	2,187	2,526	2,355	21,639
Income taxes - deferred	325	(80)	91	836
Total income taxes	2,513	2,446	2,446	22,475
Net income	3,951	5,178	5,686	52,246
Profit attributable to non-controlling interests	20	7	8	73
Profit attributable to owners of parent	3,931	5,170	5,677	52,163

[Consolidated Statement of Comprehensive Income]

	Millions of yen			Thousands of U.S. dollars
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
Net income	3,951	5,178	5,686	52,246
Other comprehensive income				
Valuation difference on available-for-sale securities	21	(4)	4	36
Foreign currency translation adjustment	(49)	(455)	4	36
Remeasurements of defined benefit plans	364	828	763	7,010
Total other comprehensive income	*1 336	*1 367	*1 772	7,093
Comprehensive income	4,287	5,545	6,458	59,340
(Details)				
Comprehensive income attributable to owners of parent	4,267	5,538	6,450	59,266
Comprehensive income attributable to non-controlling interests	20	7	8	73

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
Balance at April 1, 2018	11,946	15,080	30,214	(0)	57,241	55,042
Changes during the year						
Dividends from surplus			(1,555)		(1,555)	(1,555)
Profit attributable to owners of parent			5,170		5,170	5,170
Purchase of treasury stock				(0)	(0)	(0)
Changes in other equity, net						
Total changes during the year	—	—	3,615	(0)	3,614	3,988
Balance at March 31, 2019	11,946	15,080	33,830	(0)	60,856	59,031

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2018	54	84	(2,474)	(2,335)	136	55,042	
Changes during the year							
Dividends from surplus						(1,555)	
Profit attributable to owners of parent						5,170	
Purchase of treasury stock						(0)	
Changes in other equity, net	(4)	(455)	828	367	5	373	
Total changes during the year	(4)	(455)	828	367	5	3,988	
Balance at March 31, 2019	49	(371)	(1,645)	(1,967)	142	59,031	

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
Balance at April 1, 2019	11,946	15,080	33,830	(0)	60,856	59,031
Changes during the year						
Dividends from surplus			(1,607)		(1,607)	(1,607)
Profit attributable to owners of parent			5,677		5,677	5,677
Purchase of treasury stock				(14,288)	(14,288)	(14,288)
Changes in other equity, net						
Total changes during the year	—	—	4,070	(14,288)	(10,218)	(9,438)
Balance at March 31, 2020	11,946	15,080	37,900	(14,289)	50,638	49,592

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2019	49	(371)	(1,645)	(1,967)	142	59,031	
Changes during the year							
Dividends from surplus						(1,607)	
Profit attributable to owners of parent						5,677	
Purchase of treasury stock						(14,288)	
Changes in other equity, net	4	4	763	772	6	779	
Total changes during the year	4	4	763	772	6	(9,438)	
Balance at March 31, 2020	54	(366)	(882)	(1,194)	148	49,592	

(Thousands of U.S. dollars)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
Balance at April 1, 2019	109,767	138,564	310,851	(0)	559,184	542,414
Changes during the year						
Dividends from surplus			(14,766)		(14,766)	(14,766)
Profit attributable to owners of parent			52,163		52,163	52,163
Purchase of treasury stock				(131,287)	(131,287)	(131,287)
Changes in other equity, net						7,157
Total changes during the year	—	—	37,397	(131,287)	(93,889)	(86,722)
Balance at March 31, 2020	109,767	138,564	348,249	(131,296)	465,294	455,683

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2019	450	(3,408)	(15,115)	(18,074)	1,304	542,414
Changes during the year						
Dividends from surplus						(14,766)
Profit attributable to owners of parent						52,163
Purchase of treasury stock						(131,287)
Changes in other equity, net	36	36	7,010	7,093	55	7,157
Total changes during the year	36	36	7,010	7,093	55	(86,722)
Balance at March 31, 2020	496	(3,363)	(8,104)	(10,971)	1,359	455,683

	Millions of yen		Thousands of U.S. dollars	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
Cash flows from operating activities				
Income before income taxes	6,465	7,624	8,132	74,722
Depreciation	1,441	1,348	1,098	10,089
Amortization of goodwill	140	138	148	1,359
Increase/(decrease) in liabilities for retirement benefits	(349)	(156)	(196)	(1,800)
(Increase)/decrease in assets for retirement benefits	68	(550)	(631)	(5,798)
Increase/(decrease) in provision for warranties for completed construction	(194)	510	(19)	(174)
Increase/(decrease) in provision for loss on construction contracts	37	313	61	560
Interest income and dividends income	(228)	(250)	(228)	(2,095)
Interest expenses	217	218	190	1,745
Foreign exchange (gain)/loss	209	(174)	59	542
Loss on disposal of property, plant and equipment	66	84	68	624
Loss/(gain) on valuation of investment securities	—	87	—	—
(Increase)/decrease in notes and accounts receivable	(4,311)	(4,165)	(1,859)	(17,081)
(Increase)/decrease in inventory	1,292	(2,707)	605	5,559
Increase/(decrease) in notes and accounts payable - trade	(858)	248	5,169	47,496
Increase/(decrease) in advances received	2,067	5,361	(7,073)	(64,991)
Other cash flows from operating activities	1,496	441	501	4,603
Subtotal	7,562	8,372	6,027	55,379
Interest and dividends income received	228	250	228	2,095
Interest expenses paid	(220)	(220)	(196)	(1,800)
Income taxes paid	(2,394)	(2,165)	(2,537)	(23,311)
Net cash provided by operating activities	5,175	6,236	3,521	32,353
Cash flows from investing activities				
Net (increase)/decrease in time deposits	50	34	23	211
Purchase of property, plant and equipment	(527)	(555)	(600)	(5,513)
Purchase of intangible assets	(217)	(114)	(179)	(1,644)
Purchase of investment securities	(110)	(95)	(223)	(2,049)
Acquisition of newly consolidated subsidiaries	—	—	(426)	(3,914)
Payments of loans receivable	(1)	—	(2)	(18)
Collection of loans receivable	28	27	27	248
Other cash flows from investing activities	(91)	(103)	0	0
Net cash used in investing activities	(868)	(805)	(1,380)	(12,680)

	Millions of yen		Thousands of U.S. dollars	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2020
Cash flows from financing activities				
Proceeds from short-term loans payable	452	55	—	—
Repayments of short-term loans payable	(740)	(282)	(330)	(3,032)
Repayments of PFI and other projects finance loans	(825)	(833)	(844)	(7,755)
Purchase of treasury stock	(0)	(0)	(14,288)	(131,287)
Cash dividends paid	(1,503)	(1,555)	(1,607)	(14,766)
Cash dividends paid to non-controlling interests	(1)	(1)	(1)	(9)
Net cash used in financing activities	(2,619)	(2,617)	(17,072)	(156,868)
Effect of exchange rate change on cash and cash equivalents	(63)	4	11	101
Net increase/(decrease) in cash and cash equivalents	1,625	2,819	(14,920)	(137,094)
Cash and cash equivalents at April 1	23,352	24,977	27,796	255,407
Cash and cash equivalents at March 31	*1 24,977	*1 27,796	*1 12,876	118,312

[Notes to Consolidated Financial Statements]

(Basis of Presentation)

The accompanying consolidated financial statements of METAWATER Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

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

(Presentation of Amounts in the Consolidated Financial Statements)

The yen amounts are truncated at millions and U.S. dollar amounts are rounded off in thousands. The total Japanese yen and U.S. dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥108.83 to US\$1.00, prevailing on March 31, 2020, has been used for translation into U.S. dollar amounts in the financial statements. The inclusion of such amounts should not be construed as a representation that Japanese yen amounts have been or could in the future be converted into U.S. dollars at that or any other rate.

(Principles of Consolidation)

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

As of March 31, 2020, the numbers of consolidated subsidiaries were 10 (9 in 2019). Non-consolidated subsidiaries whose combined assets, net sales, profit and retained earnings are not significant in the related consolidated totals, have not been consolidated with the Company. Investments in non-consolidated subsidiaries and affiliated companies which have immaterial effect on the consolidated financial statements are accounted for at cost without applying the equity method of accounting. METAWATER USA, INC. and five other subsidiaries are consolidated using their financial statements as of their fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. All significant intercompany balances and transactions have been eliminated in consolidation.

(Summary of Significant Accounting Policies)

1. Valuation standard and methods for significant assets

(1) Securities

1) Available-for-sale securities

Available-for-sale securities with market value

Available-for-sale securities with market value are stated at fair value based on the market price as of the end of the accounting period. Any unrealized gain or loss, net of applicable taxes is reported as a component of accumulated other comprehensive income. The cost of securities sold is calculated using the moving average method.

Available-for-sale securities without market value

Available-for-sale securities without market value are stated at cost using the moving average method.

- (2) Inventory
- 1) Supplies
Supplies are stated at cost using the weighted average method. (Balance sheet amounts are written down on the basis of any decreased profitability.)
 - 2) Work in process
Work in process is stated at cost using the individual identification method.
- (3) Derivatives
Derivatives are stated at fair value.
2. Method of depreciation and amortization
- (1) Property, plant and equipment
Depreciation of property, plant and equipment is mainly computed by the declining-balance method over the applicable useful lives. However, the buildings acquired on and after April 1, 1998 (excluding accompanying facilities) and the accompanying facilities and structures acquired on and after April 1, 2016 are depreciated by the straight-line method.
Useful lives of assets are principally as follows:

Buildings and structures:	2 to 50 years
Machinery and equipment:	2 to 17 years
 - (2) Intangible assets
Intangible assets are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years. Customer-related assets are amortized by the straight-line method over the estimated useful life of 17 years.
3. Accounting standard for significant allowances and provisions
- (1) Allowance for doubtful accounts
To provide for potential loss on receivables, the Company provides an allowance for the expected amount of irrecoverable receivables. Allowances for ordinary debt are computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis and records an allowance for the amount of debt expected to be unrecoverable. Allowance for doubtful accounts was not recorded at the end of the fiscal year ended March 31, 2020.
 - (2) Provision for warranties for completed construction
The Company records provision for warranties for completed construction based on the estimated amount of future warranties for construction revenue in order to provide for costs of free-of-charge repair under defect liability for contract construction.
 - (3) Provision for loss on construction contracts
In order to provide for potential loss on construction contracts, the Company records provision for loss on construction contracts at an estimated amount of loss on contracts undelivered at the end of the fiscal year, loss of which are expected to be incurred and such expected amount of loss can be reasonably estimated.
4. Accounting method for retirement benefits
- (1) Method of allocating projected retirement benefit obligation
In calculating the retirement benefit obligation, the benefit formula basis is used to allocate the projected retirement benefit obligation to the estimated periods of service of the eligible employees until the end of the fiscal year.
- (2) Method for amortizing actuarial gain or loss and prior service cost
Prior service cost is amortized as incurred by the straight-line method over a period not exceeding the estimated average remaining service period of employees (10 to 14 years) at the time of occurrence.
Actuarial gain or loss is amortized from the fiscal year following the year in which the gain or loss is recognized, amortized by the straight-line method over a period not exceeding the average remaining service period of the employees (10 to 14 years) at the time of occurrence.
5. Recognition for revenue and cost
For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts cannot be estimated reliably, the completed-contract method is adopted.
6. Foreign currency translation
Monetary receivables and payables in foreign currencies are translated into yen using the spot exchange rates on the consolidated balance sheet date, and translation adjustments are recorded as gains or losses. For foreign subsidiaries assets and liabilities are translated into yen using the spot exchange rates on the consolidated balance sheet date; revenues and expenses are translated into yen using the average exchange rates during the period; and translation adjustments are included in foreign currency translation adjustment under net assets.
7. Hedge accounting
- (1) Hedge accounting method
As interest rate swaps meet the requirements for short-cut method, the accounting is applied to them.
 - (2) Hedging instruments and hedged items
Hedging instruments: Interest rate swaps
Hedged items: Interest on loans payable
 - (3) Hedging policy
Interest rate swaps are used on some of loans payable from financial institutions to avoid risks resulting from interest rate fluctuation.
 - (4) Method for evaluating hedging effectiveness
The evaluation of hedging effectiveness is omitted for interest rate swaps as the requirements for short-cut method are met.
8. The amortization method and amortization period of goodwill
Goodwill is amortized by the straight-line method over a period of 10 or 15 years.
9. Cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents consist of cash at hand, demand deposits at banks, and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of three months or less.
10. Consumption tax
Consumption tax and local consumption tax are excluded from respective transaction amounts.

(Unapplied Accounting Standards, etc.)

- Accounting Standards Board of Japan (ASBJ) Statement No. 29 "Accounting Standard for Revenue Recognition" (March 31, 2020)

- ASBJ Guidance No. 30 "Implementation Guidance on Accounting Standard for Revenue Recognition" (March 31, 2020)

(1) Outline

A comprehensive accounting standard on revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligations are satisfied

(2) Scheduled date of application

They are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of application of the accounting standard, etc.

The impact of application is under evaluation at the time of preparing the consolidated financial statements.

(Notes to Consolidated Balance Sheets)

*1. Investments in non-consolidated subsidiaries and affiliated companies are as follows:

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Investment securities	1,020	1,167	10,723

*2. Accumulated depreciation of property, plant and equipment

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Accumulated depreciation of property, plant and equipment	3,827	4,287	39,391

*3. "Current portion of PFI and other project finance loans" and "PFI and other project finance loans" are loans payable secured by the PFI business from financial institutions to WATER NEXT YOKOHAMA Co., Ltd., which is a special purpose company established for the PFI business and the Company's consolidated subsidiary, and other consolidated subsidiaries.

The amounts of assets including accounts receivable of the special purpose company corresponding to the above PFI and other project finance loans are as follows:

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Cash and deposits	1,599	1,598	14,683
Notes and accounts receivable - trade	13,393	11,437	105,090
Total	14,993	13,035	119,773

The following assets eliminated in the consolidation procedures are pledged as security.

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Investments in subsidiaries	152	152	1,396
Long-term loans receivable	487	448	4,116
Total	639	601	5,522

*4. The following assets are pledged as security for PFI and other project finance loans to subsidiaries and affiliated companies operating the PFI business (non-consolidated).

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Investment securities	408	431	3,960
Long-term loans receivable	195	169	1,552
Total	603	601	5,522

*5. Guarantees of indebtedness

The Company provides guarantees to the following companies for their loans payable from financial institutions.

(1) Guarantee for loans payable

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Osaka Bioenergy Co., Ltd.	144	126	1,157

(2) Performance guarantee

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Ariake Water Management Co., Ltd.	27	27	248
Aizuwakamatsu Aqua Partner Co., Ltd.	542	523	4,805
Sasebo Aqua Solution Co., Ltd.	242	226	2,076
Sorami Bio Partners Co., Ltd.	63	63	578
Northern Akita Eco-resource Management Co., Ltd.	17	17	156
Ofunato Sewer Management Co., Ltd.	13	14	128
Gotemba Oyama Eco Partners Co., Ltd.	14	14	128
Total	922	887	8,150

(Notes to Consolidated Statement of Income)

*1. Provision for loss on construction contracts included in cost of sales are as follows:

Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
363	(74)	(679)

*2. The major items and their amounts of selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Salaries and allowances	4,050	4,284	39,364
Bonuses	1,466	1,484	13,635
Retirement benefit expenses	501	424	3,895
Provision for warranties for completed construction	446	(16)	(147)
Research and development expenses	1,908	2,374	21,813

*3. The details of loss on disposal of non-current assets are as follows:

Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Loss on sales and retirement of machinery and equipment	Loss on sales and retirement of machinery and equipment

*4. Total amount of research and development expenses included in general and administrative expenses and in production cost in the fiscal year are as follows:

Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
1,908	2,374	21,813

(Notes to Consolidated Statement of Comprehensive Income)

*1. The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2019

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Valuation difference on available-for-sale securities			
Amount arising during the year	(7)	6	55
Reclassification adjustments	—	—	—
Amount before tax effect	(7)	6	55
Tax effect	3	(1)	(9)
Valuation difference on available-for-sale securities	(4)	4	36
Foreign currency translation adjustment			
Amount recognized during the year	(455)	4	36
Remeasurements of defined benefit plans			
Amount recognized during the year	533	546	5,016
Reclassification adjustments	659	553	5,081
Before tax effect adjustment	1,193	1,100	10,107
Tax effects	(365)	(336)	(3,087)
Remeasurements of defined benefit plans	828	763	7,010
Total other comprehensive income	367	772	7,093

(Notes to Consolidated Statement of Changes in Shareholders' Equity)

Fiscal year ended March 31, 2019

1. Shares issued

Type of shares	Number of shares as of April 1, 2018	Increase	Decrease	Number of shares as of March 31, 2019
Common stock (shares)	25,923,500	—	—	25,923,500

2. Treasury stock

Type of shares	Number of shares as of April 1, 2018	Increase	Decrease	Number of shares as of March 31, 2019
Common stock (shares)	91	59	—	150

(Details of the changes)

Increase resulting from purchase of shares less than one unit: 59 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 23, 2018	Common stock	751	29.00	March 31, 2018	June 7, 2018
Board of Directors' meeting held on November 13, 2018	Common stock	803	31.00	September 30, 2018	December 4, 2018

(2) Dividends whose record date falls in the fiscal year ended March 31, 2019, but whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 22, 2019	Common stock	Retained earnings	803	31.00	March 31, 2019	June 6, 2019

Fiscal year ended March 31, 2020

1. Shares issued

Type of shares	Number of shares as of April 1, 2019	Increase	Decrease	Number of shares as of March 31, 2020
Common stock (shares)	25,923,500	—	—	25,923,500

2. Treasury stock

Type of shares	Number of shares as of April 1, 2019	Increase	Decrease	Number of shares as of March 31, 2020
Common stock (shares)	150	4,200,036	—	4,200,186

(Details of the changes)

Increase resulting from purchase of shares less than one unit: 36 shares

Purchase of treasury stock in accordance with the resolution of the Board of Directors' meeting held on October 29, 2019: 4,200,000 shares

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 22, 2019	Common stock	803	31.00	March 31, 2019	June 6, 2019
Board of Directors' meeting held on November 12, 2019	Common stock	803	31.00	September 30, 2019	December 3, 2019

Resolution	Type of shares	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Cut-off date	Effective date
Board of Directors' meeting held on May 22, 2019	Common stock	7,378	0.28	March 31, 2019	June 6, 2019
Board of Directors' meeting held on November 12, 2019	Common stock	7,378	0.28	September 30, 2019	December 3, 2019

(2) Dividends whose record date falls in the fiscal year ended March 31, 2020, but whose effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Cut-off date	Effective date
Board of Directors' meeting held on May 21, 2020	Common stock	Retained earnings	868	40.00	March 31, 2020	June 5, 2020

Resolution	Type of shares	Source of dividends	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Cut-off date	Effective date
Board of Directors' meeting held on May 21, 2020	Common stock	Retained earnings	7,975	0.36	March 31, 2020	June 5, 2020

(Notes to Consolidated Statement of Cash Flows)

*1. Cash and cash equivalents in the consolidated statement of cash flows are reconciled to cash and deposits in the consolidated balance sheets as follows:

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Cash and deposits	28,589	13,645	125,379
Time deposits with maturities of over three months	(792)	(769)	(7,066)
Cash and cash equivalents	27,796	12,876	118,312

(Financial Instruments)

1. Overview

(1) Group policy for financial instruments

The Group restricts its fund management to short-term deposits and raises funds through loans from financial institutions including banks. Derivatives are used for receivables and payables arising from transactions associated with the actual demand, and the Group does not intend to make speculative transactions.

(2) Type of financial instruments, related risk and risk management system

Although notes and accounts receivable - trade are exposed to customer credit risk, the Group works to reduce such risk in accordance with credit management rules. Although trade receivables in foreign currencies arising from overseas operations are exposed to currency fluctuation risk, they are hedged with forward foreign currency contracts where necessary.

Investment securities are mainly limited to shares of companies with which the Group has built a business relationship. Listed stocks are exposed to risk of fluctuation in the market value, while they are marked to market on a quarterly basis.

The payment terms of notes and accounts payable - trade are mostly one year or less than one year.

Although some of trade payables are denominated in foreign currencies and are exposed to currency fluctuation risk, they are hedged with forward foreign currency contracts where necessary.

Loans payable are mainly used for the acquisition of shares of subsidiaries, with the maximum maturity period of 7 years after the balance sheet date. PFI and other project finance loans are intended to raise funds for specific businesses such as the PFI business, with the maximum maturity period of 15 years and 8 months after the accounting period. Although some of PFI and other project finance loans are exposed to risk of interest rate fluctuation, while they are hedged with derivatives (interest rate swaps).

Derivatives include forward foreign currency contracts which are used to hedge currency fluctuation risk associated with trade receivables and payables, and interest rate swaps which are used to hedge risk of fluctuation in interest on loans payable. The evaluation of hedging effectiveness is omitted based on the judgment that interest rate swaps meet the requirements for short-cut method.

2. Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2020 and 2019 and estimated fair value are shown in the following table. The financial instruments whose fair value is deemed extremely difficult to determine are not included in the table below (please see Note 2).

As of March 31, 2019

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	28,589	28,589	—
(2) Notes and accounts receivable - trade	76,282	76,332	49
(3) Investment securities			
Available-for-sale securities	103	103	—
Total assets	104,976	105,025	49
(1) Accounts payable - trade	18,278	18,278	—
(2) Electronically recorded obligations	8,380	8,380	—
(3) Short-term loans payable	337	337	—
(4) Current portion of PFI and other projects finance loans	844	844	—
(5) Long-term loans payable	1,847	1,840	(6)
(6) PFI and other projects finance loans	10,705	10,974	269
(7) Derivatives	—	—	—
Total liabilities	40,392	40,655	262

As of March 31, 2020

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	13,645	13,645	—
(2) Notes and accounts receivable - trade	78,109	78,088	(20)
(3) Investment securities			
Available-for-sale securities	110	110	—
Total assets	91,865	91,844	(20)
(1) Accounts payable - trade	19,801	19,801	—
(2) Electronically recorded obligations	11,603	11,603	—
(3) Short-term loans payable	276	276	—
(4) Current portion of PFI and other projects finance loans	855	855	—
(5) Long-term loans payable	1,539	1,560	21
(6) PFI and other projects finance loans	9,849	10,060	211
(7) Derivatives	—	—	—
Total liabilities	43,925	44,158	233

	Carrying value (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
(1) Cash and deposits	125,379	125,379	—
(2) Notes and accounts receivable - trade	717,715	717,522	(183)
(3) Investment securities			
Available-for-sale securities	1,010	1,010	—
Total assets	844,114	843,921	(183)
(1) Accounts payable - trade	181,944	181,944	—
(2) Electronically recorded obligations	106,615	106,615	—
(3) Short-term loans payable	2,536	2,536	—
(4) Current portion of PFI and other projects finance loans	7,856	7,856	—
(5) Long-term loans payable	14,141	14,334	192
(6) PFI and other projects finance loans	90,498	92,437	1,938
(7) Derivatives	—	—	—
Total liabilities	403,611	405,752	2,140

(Note 1) Computation method of fair values of financial instruments and other matters concerning securities and derivatives

Assets

(1) Cash and deposits

The fair value of cash and deposits is based on their carrying amount, since the fair value approximates their carrying amount due to the short maturity period of the instrument.

(2) Notes and accounts receivable - trade

The fair value of notes and accounts receivable - trade is based on their present value calculated by discounting the amount of each receivable classified by a certain period using a discount rate that reflects the credit risk and the period until the maturity.

(3) Investment securities

The fair value of stocks is based on their prices quoted on the concerned stock exchanges.

Liabilities

(1) Accounts payable - trade, (2) Electronically recorded obligations, (3) Short-term loans payable and (4) Current portion of PFI and other project finance loans

The fair value of accounts payable - trade, electronically recorded obligations, short-term loans payable and current portion of PFI and other project finance loans is based on their carrying amounts, since the fair value approximates their carrying amounts due to the short maturity period of the instruments.

(5) Long-term loans payable and (6) PFI and other project finance loans

The fair value of long-term loans payable and PFI and other project finance loans is computed based on their present value calculated by discounting the aggregate value of principal and interest using the discount rate at which a similar and new borrowing is assumed to be made.

(7) Derivatives

The fair value of interest rate swaps is based on the quoted price obtained from the counterparty financial institution.

Since interest rate swaps under short-cut method are treated together with long-term loans payable and PFI and other project finance loans that are subject to hedging, their fair value is included in the fair value of PFI and other project finance loans.

(Note 2) The amount of financial instruments recorded in the consolidated balance sheets, of which it is deemed extremely difficult to determine the fair value.

Category	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Unlisted stocks (including shares of non-consolidated subsidiaries and affiliated companies)	1,238	1,457	13,387

Since there is no quoted market price for the above item and it is deemed extremely difficult to determine its fair value, the item is not included in "(3) Investment securities".

(Note 3) The redemption schedule for monetary receivables subsequent to the consolidated closing date

As of March 31, 2019

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	28,589	—	—	—
Notes and accounts receivable - trade	62,894	4,892	3,971	4,524
Total	91,483	4,892	3,971	4,524

As of March 31, 2020

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	13,645	—	—	—
Notes and accounts receivable - trade	66,676	3,857	3,802	3,773
Total	80,322	3,857	3,802	7,546

	Due in one year or less (Thousands of U.S. dollars)	Due after one year through five years (Thousands of U.S. dollars)	Due after five years through ten years (Thousands of U.S. dollars)	Due after ten years (Thousands of U.S. dollars)
Cash and deposits	125,379	—	—	—
Notes and accounts receivable - trade	612,661	35,440	34,935	34,668
Total	738,050	35,440	34,935	69,337

(Note 4) The repayment schedule for loans payable and PFI and other project finance loans subsequent to the consolidated closing date

As of March 31, 2019

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years through fifteen years (Millions of yen)	Due after fifteen years (Millions of yen)
Loans payable	337	1,292	554	—	—
PFI and other projects finance loans	844	3,477	3,694	3,532	—
Total	1,181	4,769	4,249	3,532	—

As of March 31, 2020

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years through fifteen years (Millions of yen)	Due after fifteen years (Millions of yen)
Loans payable	276	1,266	272	—	—
PFI and other projects finance loans	855	3,320	3,735	2,794	—
Total	1,131	4,587	4,007	2,794	—

	Due in one year or less (Thousands of U.S. dollars)	Due after one year through five years (Thousands of U.S. dollars)	Due after five years through ten years (Thousands of U.S. dollars)	Due after ten years through fifteen years (Thousands of U.S. dollars)	Due after fifteen years (Thousands of U.S. dollars)
Loans payable	2,536	11,632	2,499	—	—
PFI and other projects finance loans	7,856	30,506	34,319	25,673	—
Total	10,392	42,148	36,818	25,673	—

(Securities)

Available-for-sale securities

As of March 31, 2019

Category	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Amounts in the consolidated balance sheets exceeding acquisition cost:			
Stocks	103	33	70
Total	103	33	70

As of March 31, 2020

Category	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Amounts in the consolidated balance sheets exceeding acquisition cost:			
Stocks	110	33	76
Total	110	33	76

Category	Carrying value (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)	Unrealized gain (loss) (Thousands of U.S. dollars)
Amounts in the consolidated balance sheets exceeding acquisition cost:			
Stocks	1,010	303	698
Total	1,010	303	698

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

No items to report.

2. Derivative transactions to which hedge accounting is applied

Interest rate-related derivatives

As of March 31, 2019

Hedge accounting method	Type of derivative transaction	Main hedged items	Contract amount (Millions of yen)	Contract amount due after one year (Millions of yen)	Fair value (Millions of yen)
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a floating interest rate/Receiving on a fixed interest rate	Long-term loans payable	971	832	(Note)
	Interest rate swaps: Payment on a floating interest rate/Receiving on a fixed interest rate	PFI and other projects finance loans	10,571	9,806	(Note)
Total			11,543	10,638	

(Note) Since interest rate swaps to which short-cut method is applied are accounted together with long-term loans payable and PFI and other project finance loans that are subject to hedging, their fair value is included in the fair value of such long-term loans payable and PFI and other project finance loans.

As of March 31, 2020

Hedge accounting method	Type of derivative transaction	Main hedged items	Contract amount (Millions of yen)	Contract amount due after one year (Millions of yen)	Fair value (Millions of yen)
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a floating interest rate/Receiving on a fixed interest rate	Long-term loans payable	816	680	(Note)
	Interest rate swaps: Payment on a floating interest rate/Receiving on a fixed interest rate	PFI and other projects finance loans	9,806	9,029	(Note)
Total			10,622	9,709	

Hedge accounting method	Type of derivative transaction	Main hedged items	Contract amount (Thousands of U.S. dollars)	Contract amount due after one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Short-cut method for interest rate swaps	Interest rate swaps: Payment on a floating interest rate/Receiving on a fixed interest rate	Long-term loans payable	7,497	6,248	(Note)
	Interest rate swaps: Payment on a floating interest rate/Receiving on a fixed interest rate	PFI and other projects finance loans	90,103	82,964	(Note)
Total			97,601	89,212	

(Note) Since interest rate swaps to which short-cut method is applied are accounted together with long-term loans payable and PFI and other project finance loans that are subject to hedging, their fair value is included in the fair value of such long-term loans payable and PFI and other project finance loans.

(Retirement Benefits)

1. Overview of retirement benefit plans

The Company has lump-sum payment plans and a contract-type corporate pension plan as its defined benefit plan. In addition, the Company has a defined contribution pension plan. The Company has established a retirement benefit trust.

Certain overseas consolidated subsidiaries have a defined benefit or defined contribution plan.

Certain domestic consolidated subsidiary has The Smaller Enterprise Retirement Allowance Mutual Aid Scheme. In addition to such scheme, certain domestic consolidated subsidiary has a retirement benefit plan under which such subsidiary pays additional retirement benefits to employees who meet the prescribed requirements upon their retirement.

In certain cases, the Group may also pay additional retirement benefits that are not subject to any actuarial calculations.

2. Defined benefit plans

(1) The changes in the retirement benefit obligation are as follows:

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Retirement benefit obligation at the beginning of the year	16,804	17,163	157,704
Service cost	736	697	6,404
Interest cost	154	157	1,442
Actuarial gain and loss	117	195	1,791
Retirement benefits paid	(636)	(807)	(7,415)
Other	(12)	(10)	(91)
Retirement benefit obligation at the end of the year	17,163	17,396	159,845

(2) The changes in plan assets are as follows:

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Plan assets at fair value at the beginning of the year	12,331	13,935	128,043
Expected return on plan assets	146	161	1,479
Actuarial gain and loss	653	673	6,183
Contribution by the companies	1,036	1,082	9,942
Retirement benefits paid	(267)	(353)	(3,243)
Other	43	44	404
Plan assets at fair value at the end of the year	13,935	15,544	142,828

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Funded retirement benefit obligation	14,761	14,944	137,315
Plan assets at fair value	(13,935)	(15,544)	(142,828)
Unfunded retirement benefit obligation	826	(599)	(5,503)
Net amount of liabilities and assets recognized in the consolidated balance sheet	3,228	1,852	17,017
Liability for retirement benefit	4,603	4,025	36,984
Assets for retirement benefits	1,374	2,172	19,957
Net amount of liabilities and assets recognized in the consolidated balance sheet	3,228	1,852	17,017

(4) The components of retirement benefit expenses are as follows:

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Service cost	736	697	6,404
Interest cost	154	157	1,442
Expected return on plan assets	(146)	(161)	(1,479)
Amortization of actuarial gain or loss	648	613	5,632
Amortization of prior service cost	8	8	73
Other	(43)	(53)	(486)
Retirement benefit expenses	1,358	1,263	11,605

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) are as follows:

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Prior service cost	8	8	73
Actuarial gain and loss	1,184	1,091	10,024
Total	1,193	1,100	10,107

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) are as follows:

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Unrecognized prior service cost	16	7	64
Unrecognized actuarial gain and loss	2,355	1,264	11,614
Total	2,372	1,272	11,687

(7) The fair value of plan assets, by major category as a percentage of total plan assets are as follows:

	As of March 31, 2019	As of March 31, 2020
Stocks	29%	31%
Bonds	39	33
General accounts	20	19
Other	12	17
Total	100	100

(Note) Retirement benefit trust established for the corporate pension plans is included and equivalent to 9.4% of total amount of plan assets as of March 31, 2019 and 10.5% as of March 31, 2020.

The long-term expected rate of return on plan assets have been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(8) The assumptions used in accounting for the defined benefit plans are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Discount rates	0.6–1.2%	0.05–1.2%
Long-term expected rates of return on plan assets	Mainly 1.5	Mainly 1.5
Expected rates of salary increase	1.2–8.5	1.2–8.5

3. Defined contribution plans

Contributions of defined contribution plans for the fiscal years ended March 31, 2019 and 2020 were ¥142 million and ¥151 million (US\$1,387 thousand), respectively.

(Income Taxes)

1. The significant components of deferred tax assets and deferred tax liabilities

	As of March 31, 2019 (Millions of yen)	As of March 31, 2020 (Millions of yen)	As of March 31, 2020 (Thousands of U.S. dollars)
Deferred tax assets:			
Enterprise tax payable	178	189	1,736
Accrued bonuses	824	872	8,012
Provision for loss on construction contracts	158	182	1,672
Provision for warranties for completed construction	367	359	3,298
Excess of depreciation	328	330	3,032
Liability for retirement benefit	1,849	1,425	13,093
Unused tax losses (Note 2)	187	165	1,516
Other	705	753	6,919
Subtotal	4,600	4,278	39,309
Valuation allowance for unused tax losses (Note 2)	(165)	(160)	(1,470)
Valuation allowance for the total amount of deductible temporary differences	(257)	(233)	(2,140)
Valuation allowance subtotal (Note 1)	(422)	(394)	(3,620)
Total deferred tax assets	4,177	3,884	35,688
Deferred tax liabilities:			
Gain on contribution of securities to retirement benefit trust	(727)	(858)	(7,883)
Other	(282)	(362)	(3,326)
Total deferred tax liabilities	(1,009)	(1,221)	(11,219)
Net deferred tax assets (liabilities)	3,168	2,662	24,460

(Notes)1. The valuation allowance has decreased by ¥28 million (US\$257 thousand). This decrease mainly consists of the reversal of the valuation allowance relating to the provision for loss on construction contracts in the amount of ¥8 million (US\$73 thousand) at the Company and the valuation allowance for unused tax losses in the amount of ¥4 million (US\$36 thousand) at a consolidated subsidiary, METAWATER USA, INC.

2. Amounts of unused tax losses and deferred tax assets by carryforward period

As of March 31, 2019

	One year or less (Millions of yen)	After one year through two years (Millions of yen)	After two years through three years (Millions of yen)	After three years through four years (Millions of yen)	After four years through five years (Millions of yen)	After five years (Millions of yen)	Total (Millions of yen)
Unused tax losses (a)	1	—	—	23	—	162	187
Valuation allowance	(1)	—	—	(2)	—	(161)	(165)
Deferred tax assets	—	—	—	21	—	1	22

(a) Unused tax losses are multiplied by the effective statutory tax rate.

As of March 31, 2020

	One year or less (Millions of yen)	After one year through two years (Millions of yen)	After two years through three years (Millions of yen)	After three years through four years (Millions of yen)	After four years through five years (Millions of yen)	After five years (Millions of yen)	Total (Millions of yen)
Unused tax losses (a)	—	—	—	2	3	159	165
Valuation allowance	—	—	—	(2)	(0)	(158)	(160)
Deferred tax assets	—	—	—	—	3	1	4

	One year or less (Thousands of U.S. dollars)	After one year through two years (Thousands of U.S. dollars)	After two years through three years (Thousands of U.S. dollars)	After three years through four years (Thousands of U.S. dollars)	After four years through five years (Thousands of U.S. dollars)	After five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Unused tax losses (a)	—	—	—	18	27	1,460	1,516
Valuation allowance	—	—	—	(18)	(0)	(1,451)	(1,470)
Deferred tax assets	—	—	—	—	27	9	36

(a) Unused tax losses are multiplied by the effective statutory tax rate.

2. The breakdown of major items that caused differences between the effective statutory tax rate and the effective income tax rate

	As of March 31, 2019	As of March 31, 2020
Effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanently non-deductible items such as entertainment expenses	4.0	1.9
Permanently non-taxable items such as dividends income	(0.1)	(0.2)
Per capita inhabitants' tax	0.9	0.8
Tax credit for experiment and research expenses	(3.0)	(2.1)
Reduction of deferred tax assets at end of period due to change in tax rates	—	—
Changes in valuation allowance	3.4	(0.3)
Difference in tax rates of overseas consolidated subsidiaries	(0.5)	(0.4)
Other	(3.2)	(0.2)
Effective income tax rate	32.1	30.1

(Asset Retirement Obligations)

The Group recognizes asset retirement obligations to restore corporate offices to their original condition upon termination of their lease contracts. However, the statement is omitted because the total amount of the asset retirement obligations is immaterial.

Regarding some of the obligation to restore corporate offices to their original condition, the Group estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

(Segment Information)

(Segment Information)

1. Outline of reportable segment

The Company's segments represent components of the Company for which separate financial information is available and that are subject to periodical review by the board of directors in determining how to allocate operating resources and evaluating performance.

The Company has established business divisions by its products and services at the corporate office, each of which operates under comprehensive domestic and overseas strategies developed for its products and services.

Therefore, the Group basically consists of two reportable segments: "Plant Engineering" and "Service Solutions", which are based on the Company's business divisions in consideration of similarities of types and natures of products and services. "Plant Engineering" segment is primarily involved in design and construction of water and sewage treatment plants. "Service Solutions" segment is primarily involved in operation, control and repair of water and sewage treatment plant facilities.

2. Determination of sales, income or loss, assets, liabilities and other items for each reportable segment

Accounting treatment applied to the business segment reported is generally consistent with accounting treatment stated in "Important Matters for Basis of Preparation of Consolidated Financial Statements".

In addition, segment income is determined based on operating income, which is consistent with operating income for the consolidated statement of income.

3. Sales, income or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	65,517	51,824	117,342	—	117,342
Inter-segment sales and transfers	—	—	—	—	—
Net sales	65,517	51,824	117,342	—	117,342
Segment income	3,191	4,416	7,607	—	7,607
Segment assets	56,158	46,512	102,671	29,949	132,620
Other items					
Depreciation	765	582	1,348	—	1,348
Capital expenditures	584	307	891	—	891

(Note) The amount of corporate assets included in adjustments of segment assets is ¥29,949 million. The corporate assets mainly represent cash and deposits and investment securities.

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	72,366	56,356	128,723	—	128,723
Inter-segment sales and transfers	—	—	—	—	—
Net sales	72,366	56,356	128,723	—	128,723
Segment income	3,188	5,035	8,223	—	8,223
Segment assets	50,187	53,053	103,240	16,228	119,469
Other items					
Depreciation	630	467	1,098	—	1,098
Capital expenditures	526	267	794	—	794

(Thousands of U.S. dollars)

	Reportable segments			Adjustments (Note)	Consolidated
	Plant Engineering Business	Service Solutions Business	Total		
Net sales					
Sales to third parties	664,945	517,835	1,182,789	—	1,182,789
Inter-segment sales and transfers	—	—	—	—	—
Net sales	664,945	517,835	1,182,789	—	1,182,789
Segment income	29,293	46,264	75,558	—	75,558
Segment assets	461,150	487,485	948,635	149,113	1,097,757
Other items					
Depreciation	5,788	4,291	10,089	—	10,089
Capital expenditures	4,833	2,453	7,295	—	7,295

(Note) The amount of corporate assets included in adjustments of segment assets is ¥16,228 million (US\$149,113 thousand). The corporate assets mainly represent cash and deposits and investment securities.

[Related Information]

Fiscal year ended March 31, 2019

1. Information by products and services

A description is omitted because similar information has been disclosed under segment information.

2. Information by region

(1) Net sales

A description is omitted because sales to third parties in Japan exceed 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	The United States	Switzerland	Total
1,346	1,449	391	3,188

3. Information about major customers

(Millions of yen)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	19,967	Plant Engineering Business Service Solutions Business

Fiscal year ended March 31, 2020

1. Information by products and services

A description is omitted because similar information has been disclosed under segment information.

2. Information by region

(1) Net sales

A description is omitted because sales to third parties in Japan exceed 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	The United States	Switzerland	Other	Total
1,327	1,421	404	30	3,184

(Thousands of U.S. dollars)

Japan	The United States	Switzerland	Other	Total
12,193	13,057	3,712	275	29,256

3. Information about major customers

(Millions of yen)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	17,267	Plant Engineering Business Service Solutions Business

(Thousands of U.S. dollars)

Name of customer	Net sales	Related business segment
TOKYO METROPOLITAN GOVERNMENT	158,660	Plant Engineering Business Service Solutions Business

[Information about Impairment Loss on Non-current Assets by Reportable Segment]

Fiscal year ended March 31, 2019

No items to report.

Fiscal year ended March 31, 2020

No items to report.

[Information about Amortization and Unamortized Balance of Goodwill by Reportable Segment]

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	138	—	138	—	138
Unamortized balance	1,670	—	1,670	—	1,670

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	148	—	148	—	148
Unamortized balance	1,671	—	1,671	—	1,671

(Thousands of U.S. dollars)

	Reportable segments			Corporate/ Eliminations	Total
	Plant Engineering Business	Service Solutions Business	Total		
Amortization	1,359	—	1,359	—	1,359
Unamortized balance	15,354	—	15,354	—	15,354

[Information about Gain on Bargain Purchase by Reportable Segment]

Fiscal year ended March 31, 2019

No items to report.

Fiscal year ended March 31, 2020

No items to report.

(Related Party Information)

Fiscal year ended March 31, 2019

1. Business transactions with related parties

(1) Business transactions between the company filing the consolidated financial statements and related parties

Unconsolidated subsidiaries and affiliated companies of the company filing the consolidated financial statements

Category	Related party	Address	Capital stock or contributions (Millions of yen)	Type of business	Percentage of voting rights holding (held) (%)	Relationship	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at the end of year (Millions of yen)
Other affiliate	NGK INSULATORS, LTD.	Mizuho-ku, Nagoya-shi	69,849	Development, manufacture, and sale of products related to electric power, ceramics, electronics, and process technology, and provision of services related thereto	(Held) Direct 28.9	Purchase of products Concurrent holding of positions by officers	Purchase of products (Note 1, 2)	1,590	Accounts payable - trade	1,258
Other affiliate	FUJI ELECTRIC CO., LTD.	Kawasaki-ku, Kawasaki-shi	47,586	Development, manufacture, and sale of products related to power electronics systems, electric generation, electronic devices and food distribution, and provision of services related thereto	(Held) Direct 28.9	Purchase of products	Purchase of products (Note 1, 2)	7,268	Accounts payable - trade	2,786
Subsidiary of other affiliate	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD.	Saiwai-ku, Kawasaki-shi	1,970	Design and execution of construction of plant facilities, air conditioning/electricity/building/incidental facilities, and telecommunications	—	Entrustment of the Company's construction contracts	Entrustment of construction contracts (Note 1, 2)	5,048	Accounts payable - trade	1,221
Subsidiary of other affiliate	Hokkaido Fuji Electric Co., Ltd.	Chuo-ku, Sapporo-shi	100	Sale, installation, and repair of electrical machinery and apparatus/control systems and electronic components	—	Acceptance of construction contracts of said company	Acceptance of construction contracts (Note 1, 2)	858	Accounts receivable - trade	831

(Notes) 1. Of the amounts stated above, the transaction amount excludes consumption taxes, while the balance at end of the fiscal year includes consumption taxes.

2. Transaction terms and the policy to determine transaction terms

Transaction terms such as prices are determined through negotiation in each case based on a quotation as is the case with general transactions, as well as by reference to actual situation of the market.

(2) Business transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

No items to report.

2. Note concerning the parent company or significant affiliated companies

No items to report.

Fiscal year ended March 31, 2020

1. Business transactions with related parties

(1) Business transactions between the company filing the consolidated financial statements and related parties

Unconsolidated subsidiaries and affiliated companies of the company filing the consolidated financial statements

Category	Related party	Address	Capital stock or contributions (Millions of yen)	Type of business	Percentage of voting rights holding (held) (%)	Relationship	Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at the end of year (Millions of yen)
Other affiliate	NGK INSULATORS, LTD.	Mizuho-ku, Nagoya-shi	69,849 (US\$641,817 thousand)	Development, manufacture, and sale of products related to electric power, ceramics, electronics, and process technology, and provision of services related thereto	(Held) Direct 25.3	Purchase of products Concurrent holding of positions by officers	Purchase of products (Note 1, 2) Purchase of treasury stock (Note 3)	958 (US\$8,802 thousand) 6,804 (US\$62,519 thousand)	Accounts payable - trade —	797 (US\$7,323 thousand) —
Other affiliate	FUJI ELECTRIC CO., LTD.	Kawasaki-ku, Kawasaki-shi	47,586 (US\$437,250 thousand)	Development, manufacture, and sale of products related to power electronics systems, electronic devices, food distribution and power plant, and provision of services related thereto	(Held) Direct 24.4	Purchase of products	Purchase of products (Note 1, 2) Purchase of treasury stock (Note 3)	8,292 (US\$76,192 thousand) 7,484 (US\$68,767 thousand)	Accounts payable - trade —	3,153 (US\$28,971 thousand) —
Subsidiary of other affiliate	FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO. LTD.	Saiwai-ku, Kawasaki-shi	1,970 (US\$18,101 thousand)	Design and execution of construction of plant facilities, air conditioning/ electricity/building/incidental facilities, and telecommunications	—	Entrustment of the Company's construction contracts	Entrustment of construction contracts (Note 1, 2)	4,706 (US\$43,241 thousand)	Accounts payable - trade	1,485 (US\$13,645 thousand)
Subsidiary of other affiliate	Hokkaido Fuji Electric Co., Ltd.	Chuo-ku, Sapporo-shi	100 (US\$918 thousand)	Sale, installation, and repair of electrical machinery and apparatus/control systems and electronic components	—	Acceptance of construction contracts of said company	Acceptance of construction contracts (Note 1, 2)	764 (US\$7,020 thousand)	Accounts receivable - trade	671 (US\$6,165 thousand)

- (Notes)
- Of the amounts stated above, the transaction amount excludes consumption taxes, while the balance at end of the fiscal year includes consumption taxes.
 - Transaction terms and the policy to determine transaction terms
Transaction terms such as prices are determined through negotiation in each case based on a quotation as is the case with general transactions, as well as by reference to actual situation of the market.
 - The purchase of treasury stock was conducted through a tender offer with the purchase price of ¥3,402 (US\$31.25) per share of common stock in accordance with the resolution of the Board of Directors' meeting held on October 29, 2019.

(2) Business transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

No items to report.

2. Note concerning the parent company or significant affiliated companies

No items to report.

(Per Share Information)

	Fiscal year ended March 31, 2019 (Yen)	Fiscal year ended March 31, 2020 (Yen)	Fiscal year ended March 31, 2020 (U.S. dollars)
Net assets per share	2,271.67	2,276.07	20.91
Net income per share	199.46	231.52	2.12

(Notes) 1. Diluted net income per share is not presented as there are no diluted shares.

2. Net income per share is calculated on the following basis.

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Net income per share			
Profit attributable to owners of parent	5,170	5,677	52,163
Profit not attributable to common shareholders	—	—	—
Profit attributable to owners of parent related to common stock	5,170	5,677	52,163
Average number of shares outstanding during the period (number of shares)	25,923,379	24,523,326	24,523,326

3. Net assets per share are calculated on the following basis.

	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2020 (Millions of yen)	Fiscal year ended March 31, 2020 (Thousands of U.S. dollars)
Total net assets	59,031	49,592	455,683
Deduction from total net assets	142	148	1,359
(Non-controlling interests included in the above)	(142)	(148)	(1,359)
Net assets attributable to shares of common stock	58,889	49,443	454,314
Number of common stock used for calculation of net assets per share (number of shares)	25,923,350	21,723,314	21,723,314

(Significant Subsequent Event)

No items to report.

5. [Supplementary Schedules]

[Schedule of Bonds]

No items to report.

[Schedule of Loans]

Category	Balance as of April 1, 2019 (Millions of yen)	Balance as of March 31, 2020 (Millions of yen)	Balance as of April 1, 2019 (Thousands of U.S. dollars)	Balance as of March 31, 2020 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans payable	337	276	3,096	2,536	3.32	—
Current portion of PFI and other project finance loans	844	855	7,755	7,856	1.06	—
Long-term loans payable	1,847	1,539	16,971	14,141	3.21	April 25, 2022 to January 14, 2026
PFI and other projects finance loans	10,705	9,849	98,364	90,498	1.17	June 22, 2026 to November 30, 2033
Total	13,733	12,520	126,187	115,041	—	—

- (Notes)
1. "Average interest rate" is stated at weighted average interest rate on the balance of loans payable at the end of the fiscal year.
 2. Repayment schedule for long-term loans payable and PFI and other project finance loans (excluding current portion) per year for five years subsequent to the consolidated balance sheet date

Category	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)
Long-term loans payable	276	446	272	272
PFI and other projects finance loans	862	873	885	698

Category	Due after one year through two years (Thousands of U.S. dollars)	Due after two years through three years (Thousands of U.S. dollars)	Due after three years through four years (Thousands of U.S. dollars)	Due after four years through five years (Thousands of U.S. dollars)
Long-term loans payable	2,536	4,098	2,499	2,499
PFI and other projects finance loans	7,920	8,021	8,131	6,413

[Schedule of Asset Retirement Obligations]

No items to report.

- (1) The Company's consolidated financial statements are prepared based on "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The Company's non-consolidated financial statements are prepared based on "Ordinance on the Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter "Ordinance on Non-consolidated Financial Statements, etc.")
The Company falls under a company submitting special financial statements, and therefore prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of Ordinance on Non-consolidated Financial Statements, etc.
- (3) The Company is carrying out special initiatives to ensure the appropriateness of its consolidated financial statements, etc. Specifically, we have joined the Financial Accounting Standards Foundation and participate in trainings organized by audit firms, etc., in order to develop a system to accurately grasp the content of accounting standards, etc., and appropriately respond to changes in accounting standards, etc.