IMV CORPORATION

Consolidated Financial Statements for the Year Ended September 30, 2020, and Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of IMV CORPORATION:

Opinion

We have audited the consolidated financial statements of IMV CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of September 30, 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu LLC

December 25, 2020

IMV CORPORATION and Subsidiaries

Consolidated Balance Sheet
September 30, 2020

ASSETS	Thousands of Yen 2020	Thousands of Yen 2019	Thousands of Pounds (Note 1) 2020
CURRENT ASSETS:			
Cash and cash equivalents (Note 10)	¥ 2,839,536	¥ 970,730	£ 20,877
Receivables (Note 10):			
Trade notes	560,969	678,565	4,124
Trade accounts	2,722,232	3,546,157	20,014
Electronically recorded monetary claims	644,649	600,599	4,739
Allowance for doubtful receivables	(5,500)	(3,441)	(40)
Inventories (Note 4)	2,839,374	2,725,011	20,876
Prepaid expenses and other current assets	504,926	365,457	3,712
Total current assets	10,106,187	8,883,079	74,304
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	1,935,656	1,935,656	14,231
Buildings and structures (Note 5)	4,402,651	4,238,399	32,370
Machinery and equipment	514,002	504,095	3,779
Furniture and fixtures	3,289,799	2,999,950	24,187
Lease assets	3,888	3,888	28
Construction in progress	114,646	104,406	842
Total	10,260,644	9,786,396	75,440
Accumulated depreciation	(4,742,221)	(4,114,028)	(34,866)
Net property, plant and equipment	5,518,422	5,672,367	40,573
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 10)	222,185	206,224	1,633
Goodwill	4,185	12,555	30
Software	56,404	55,430	414
Deferred tax assets (Note 8)	218,156	239,979	1,603
Long-term deposits	-	37,662	-
Other assets	93,560	93,403	687
Total investments and other assets	594,492	645,254	4,370
TOTAL	¥ 16,219,102	¥ 15,200,702	£ 119,249

LIABILITIES AND EQUITY	Thousands of Yen 2020	Thousands of Yen 2019	Thousands of Pounds (Note 1) 2020
CURRENT LIABILITIES:			
Short-term bank loans (Notes 5 and 10)	¥ 2,630,065	¥ 2,125,000	£ 19,337
Current portion of long-term debt (Notes 5 and 10)	621,357	361,404	4,568
Payables (Note 10):			
Trade notes	726,696	986,138	5,342
Trade accounts	404,073	728,077	2,970
Electronically recorded obligations	600,145	1,027,968	4,412
Other	352,685	427,759	2,593
Accrued expenses	293,072	346,595	2,514
Income taxes payable	4,787	212,058	35
Provision for product warranty	53,050	89,000	390
Provision for stock-based compensation	-	37,129	-
Provision for loss related to lawsuit	-	17,844	-
Other current liabilities	555,568	325,255	4,084
Total current liabilities	6,241,501	6,684,231	45,890
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 10)	2,939,695	1,669,480	21,613
Long-term payables	192,169	192,169	1,412
Asset retirement obligations	47,361	47,043	348
Other long-term liabilities	93,535	104,265	687
Total long-term liabilities	3,272,761	2,012,958	24,062
EQUITY:			
Common stock—authorized, 67,820,000 shares; issued, 16,957,016 shares in 2020 and 2019	464,817	464,817	3,417
Capital surplus	576,648	563,437	4,239
Retained earnings (Note 12)	5,724,794	5,545,845	42,090
Treasury stock—at cost, 663,452 shares in 2020 and 735,798 shares in 2019	(143,736)	(159,410)	(1,056)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	58,038	60,975	426
Foreign currency translation adjustments	18,491	26,050	135
Total	6,669,053	6,501,715	49,254
Noncontrolling interests	5,786	1,796	42
Total equity	6,704,840	6,503,512	49,296
TOTAL	¥ 16,219,102	¥ 15,200,702	£ 119,249

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Income
Year Ended September 30, 2020

	Thousands of Yen		Thousands of Pounds (Note 1)
	2020	2019	2020
NET SALES (Note 13)	¥ 11,338,176	¥ 12,348,007	£ 83,362
COST OF SALES	8,405,930	8,790,235	61,803
Gross profit	2,932,246	3,557,771	21,559
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	2,594,375	2,827,446	19,074
Operating income	337,870	730,325	2,484
OTHER INCOME (EXPENSES):			
Interest and dividend income	8,805	8,947	64
Interest expense	(23,125)	(19,271)	(170)
Rental income	39,643	40,608	291
Gain on sales of investment securities	-	4,616	-
Foreign currency exchange gain (loss)—net	29,687	(128,701)	218
Insurance income	-	85,663	-
Government grant	57,074		419
Loss on impairment of goodwill	-	(238,445)	-
Other—net	12,511	(8,277)	91
Other income (loss)—net	124,597	(254,860)	916
INCOME BEFORE INCOME TAXES	462,468	475,465	3,400
INCOME TAXES (Note 8):			
Current	122,256	310,440	898
Deferred	23,201	(60,793)	170
Total income taxes	145,457	249,647	1,069
NET INCOME	317,011	225,818	2,330
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	180	(141,053)	1
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 316,830	¥ 366,871	£ 2,329

	Yen		Pounds
	2020	2019	2020
PER SHARE OF COMMON STOCK (Note 2.r):			
Basic net income	¥19.48	¥22.62	£0.14
Cash dividends applicable to the year	8.50	8.50	0.06

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended September 30, 2020

	Thousands of Yen		Thousands of Pounds (Note 1)
	2020	2019	2020
NET INCOME	¥317,011	¥225,818	£2,330
OTHER COMPREHENSIVE INCOME (LOSS) (Note 11):			
Unrealized loss on available-for-sale securities	(2,937)	(31,278)	(21)
Foreign currency translation adjustments	4,539	33,359	33
Total other comprehensive income (loss)	1,602	2,081	11
COMPREHENSIVE INCOME	¥318,613	¥227,899	£2,342
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥306,333	¥375,076	£2,252
Noncontrolling interests	12,279	(147,177)	90

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended September 30, 2020

	Thousands	Thousands of Yen								
						Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Noncontrolling Interests	Total Equity
BALANCE, OCTOBER 1, 2018	16,957,016	¥464,817	¥563,437	¥5,308,745	¥(159,282)	¥ 92,253	¥(13,433)	¥6,256,538	¥ 151,139	¥6,407,677
Net income attributable to owners of the parent				366,871				366,871		366,871
Cash dividends, ¥8.5 per share				(129,771)				(129,771)		(129,771)
Purchase of treasury stock					(127)			(127)		(127)
Net change during the year						(31,278)	39,483	8,205	(149,342)	(141,137)
BALANCE, SEPTEMBER 30, 2019	16,957,016	464,817	563,437	5,545,845	(159,410)	60,975	26,050	6,501,715	1,796	6,503,512
Net income attributable to owners of the parent				316,830				316,830		316,830
Cash dividends, ¥8.5 per share				(137,880)				(137,880)		(137,880)
Purchase of treasury stock					(21)			(21)		(21)
Disposition of treasury stock			13,210		15,695			28,905		28,905
Net change during the year						(2,937)	(7,559)	(10,496)	3,990	(6,506)
BALANCE, SEPTEMBER 30, 2020	16,957,016	¥464,817	¥576,648	¥5,724,794	¥(143,736)	¥ 58,038	¥ 18,491	¥6,699,053	¥ 5,786	¥6,704,840

	Thousands of Pounds (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Noncontrolling Interests	Total Equity
BALANCE, SEPTEMBER 30, 2019	£3,417	£4,142	£40,775	£(1,172)	£448	£191	£47,803	£13	£47,816
Net income attributable to owners of the parent			2,329				2,329		2,329
Cash dividends, £0.06 per share			(1,013)				(1,013)		(1,013)
Purchase of treasury stock				(0)			(0)		(0)
Disposition of treasury stock		97		115			212		212
Net change during the year					(21)	(55)	(77)	29	(47)
BALANCE, SEPTEMBER 30, 2020	£3,417	£4,239	£42,090	£(1,056)	£426	£135	£49,254	£42	£49,296

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended September 30, 2020

	Thousands of Yen		Thousands of Pounds (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Net income before income taxes	¥ 462,468	¥ 475,465	£ 3,400
Adjustments for:			
Depreciation and amortization	682,918	646,229	5,021
Loss on impairment of goodwill	-	238,445	-
Gain on sales of investment securities	-	(4,616)	-
Interest and dividend income	(8,805)	(8,947)	(64)
Interest expense	23,125	19,271	170
Government grant	(57,074)	-	(419)
Increase (decrease) in allowance for doubtful receivables	2,058	(5,171)	15
Decrease in provision for product warranty	(35,950)	(1,000)	(264)
(Decrease) increase in provision for stock-based compensation	(37,129)	13,553	(272)
Foreign currency exchange (gain) loss—net	(31,140)	39,508	(228)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade receivables	896,590	(506,871)	6,592
Increase in inventories	(70,211)	(182,330)	(516)
(Decrease) increase in trade payables	(1,119,912)	149,619	(8,234)
Other—net	81,891	169,089	602
Subtotal	788,831	1,042,244	5,799
Interest and dividends received	8,809	8,965	64
Interest paid	(24,202)	(18,722)	(177)
Government grant received	57,074	-	419
Income taxes paid	(330,133)	(234,191)	(2,427)
Net cash provided by operating activities	500,378	798,296	3,678
INVESTING ACTIVITIES:			
Purchases of investment securities	(20,016)	(19,396)	(147)
Proceeds from sale of investment securities	-	30,337	-
Purchases of property, plant and equipment	(519,906)	(804,966)	(3,822)
Proceeds from sale of property, plant and equipment	1,024	11,310	7
Purchase of intangible fixed assets	(21,266)	(46,539)	(156)
Purchase of time deposits	(61,177)	(9)	(449)
Decrease in time deposits	37,662	129,672	276
Other	38,200	46,373	280
Net cash used in investing activities	(545,479)	(653,218)	(4,010)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	505,065	(745,000)	3,713
Proceeds from long-term debt	2,380,002	700,000	17,499
Repayments of long-term debt	(849,834)	(383,238)	(6,248)
Repayment of finance lease obligations	(1,700)	(839)	(12)
Purchase of treasury stock	-	(127)	-
Dividends paid	(134,367)	(127,517)	(987)
Net cash provided by (used in) financing activities	1,899,165	(556,722)	13,963
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	14,740	8,083	108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,868,805	(403,561)	13,740
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	970,730	1,374,292	7,137
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 2,839,536	¥ 970,730	£ 20,877

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Amounts less than one thousand yen and one thousand pounds are rounded down, except for per share data. Therefore, total amounts may not correspond with the aggregation of such account balances.

The consolidated 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 British pound amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥136.01 to £1, the approximate rate of exchange at September 30, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into British pounds at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements for the years ended September 30, 2020 and 2019 include the accounts of the Company and its subsidiaries (8 in 2020 and 8 in 2019) (together, the "Group").

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 5 years by the straight-line method.

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

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

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

d. ***Cash Equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits which mature within three months of the date of acquisition.

e. ***Inventories*** – Finished goods and work in process are stated at the lower of cost, determined by the specific identification method, or net selling value. Raw materials are stated at the lower of cost, determined by the moving-average method, or net selling value (see Note 4).

f. ***Allowance for Doubtful Receivables*** – Allowance for doubtful receivables is calculated based on the actual historical ratio of bad debt on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

g. ***Marketable and Investment Securities*** – Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities for which there is a positive intent and ability to hold to maturity are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Cost of securities sold is determined by the moving-average method.

All securities held by the Group are classified as available-for-sale securities.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. ***Property, Plant and Equipment*** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed primarily by the declining-balance method based on the estimated useful lives of the respective assets except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired subsequent to April 1, 1998 and structures acquired subsequent to April 1, 2016. The straight-line method is primarily applied to property, plant and equipment of foreign subsidiaries. The range of useful lives is principally from 30 to 50 years for buildings, from 8 to 18 years for structures, from 5 to 11 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

i. ***Software*** – Expenditures relating to development of software intended for internal use are charged to income when incurred except for those that are deemed to contribute to the generation of future income or cost saving. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of five years. Costs relating to development of software for sales are capitalized and amortized at the greater of an amount determined with reference to total estimated sales quantities which are expected to be generated by the product, or an amount computed by a straight-line method with reference to the product's expected life cycle of three years.

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

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

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

m. ***Leases*** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. Lease assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the terms of the transactions as the useful life.

n. ***Provision for Product Warranty*** – Provision for product warranty is calculated at an estimated amount of the total costs which are expected to be incurred subsequent to the balance sheet date based on the actual historical ratio of the cost of repair and the anticipated amount considering individual product warranties.

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

p. ***Foreign Currency Transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

q. Foreign Currency Financial Statements – The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except that the components of equity excluding noncontrolling interest are translated at historical rate. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

r. Per Share Information – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the year.

Diluted net income per share is not presented since no potentially dilutive securities have been issued.

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

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

t. New Accounting Pronouncements

1. Accounting Standard and Implementation Guidance on Revenue Recognition

On March 31, 2020, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

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

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

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

2. Accounting Standard for Fair Value Measurement and Related Implementation Guidance

   On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," and ASBJ Statement No. 10, "Accounting Standard for Financial Instruments."

   In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (the "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued.

   The Fair Value Accounting Standards are applicable to the fair value measurement of financial instruments in "Accounting Standard for Financial Instruments" and inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

   In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, and items of notes such as the breakdown by the fair value level of financial instruments are required.

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

3. Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

   On March 31, 2020, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections." The purpose of this standard was to disclose the summary of principles and procedures for accounting treatment adopted in cases where the provisions of relevant accounting standards and regulations are not clear.

   The Company expects to apply the accounting standard for the fiscal years ending on or after September 30, 2021.

4. Accounting Standard for Disclosure of Accounting Estimates

   On March 31, 2020 the ASBJ issued ASBJ Statement No. 31, "Accounting Standard for Disclosure of Accounting Estimates."

   This accounting standard requires the disclosure of more detailed information regarding accounting estimates that have a potentially significant effect on the next fiscal year's financial statements.

   The Company expects to apply the accounting standard for the fiscal years ending on or after September 30, 2021.

(Additional Information)

The business activities of the Group were negatively impacted due to the spread of the new coronavirus (COVID-19) and the related Declaration of a State of Emergency as well as the limitations imposed on overseas economic and social activities. Under the circumstances where the future outlook of the spread or the timing of convergence of the new coronavirus (COVID-19) is uncertain, the Group made accounting estimates assuming that the economy experiences a gradual recovery in the following fiscal year and beyond.

3. INVESTMENT SECURITIES

Investment securities with available market value at September 30, 2020 and 2019 were as follows:

	Thousands of Yen		
	2020		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	¥214,199	¥134,475	¥79,724
Securities whose acquisition costs exceed their carrying values	7,786	8,054	(268)
Total	¥221,985	¥142,529	¥79,456

	Thousands of Yen		
	2019		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	¥205,189	¥121,420	¥83,769
Securities whose acquisition costs exceed their carrying values	835	1,037	(202)
Total	¥206,024	¥122,458	¥83,567

	Thousands of Pounds		
	2020		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	£1,574	£ 988	£586
Securities whose acquisition costs exceed their carrying values	57	59	(1)
Total	£1,632	£1,047	£584

There was no sale of available-for-sale securities for the year ended September 30, 2020.

4. INVENTORIES

Inventories at September 30, 2020 and 2019, consisted of the following:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Finished products	¥ 422,479	¥ 555,634	£ 3,106
Work in process	1,507,836	1,312,827	11,086
Raw materials and supplies	909,058	856,548	6,683
Total	¥ 2,839,374	¥ 2,725,011	£20,876

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

Short-term bank loans at September 30, 2020 and 2019 consisted of bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.21% to 0.57% in 2020 and 0.28% to 0.68% in 2019 at September 30, 2020 and 2019, respectively.

Long-term debt at September 30, 2020 and 2019 consisted of the following:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Secured loans from banks due serially to 2024 with interest rates ranging from 0.22% to 0.60% in 2020 and from 0.30% to 0.60% in 2019	¥ 1,477,987	¥ 1,213,427	£ 10,866
Unsecured loans from banks due serially to 2024 with interest rates ranging from 0.35% to 1.70% in 2020 and from 0.22% to 0.60% in 2019	2,083,065	817,457	15,315
Total	3,561,052	2,030,884	26,182
Less current portion	(621,357)	(361,404)	(4,568)
Long-term debt, less current portion	¥ 2,939,695	¥ 1,669,480	£ 21,613

Annual maturities of long-term debt, excluding finance lease obligations, at September 30, 2020 were as follows:

Year Ending September 30	Thousands of Yen	Thousands of Pounds
2021	¥ 621,357	£ 4,568
2022	801,881	5,895
2023	1,180,851	8,682
2024	504,900	3,712
2025	452,063	3,323
Total	¥ 3,561,052	£ 26,182

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥1,215,000 thousand (£8,933 thousand) and long-term debt of ¥1,477,987 thousand (£10,866 thousand) at September 30, 2020 were as follows:

	Thousands of Yen	Thousands of Pounds
Buildings and structures—net of accumulated depreciation	¥ 800,498	£ 5,885
Land	1,518,134	11,161
Total	¥ 2,318,633	£ 17,047

The Group has concluded commitment line agreements with banks in order to achieve more efficient and flexible financing. The status of these at September 30, 2020 and 2019 were as follows:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Amount of commitment line	¥ 1,400,000	¥ 1,400,000	£ 10,293
Commitment line used	-	15,000	-
Available commitment line	¥ 1,400,000	¥ 1,385,000	£ 10,293

Financial covenants

The Company entered into commitment line agreements of ¥1,300,000 thousand (£9,558 thousand) in March 2019. The following financial covenants are included in these agreements:

Total net assets in the non-consolidated balance sheet at the end of each fiscal year shall be equal to or exceed 70% of those at the end of the prior fiscal year.

There shall not be operating loss in the non-consolidated statement of income for two consecutive years at the end of each fiscal year.

6. RETIREMENT AND PENSION PLANS

The Company has a defined contribution pension plan. In addition, the Company participates in the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan. Certain subsidiaries also participates in the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan.

Total contributions paid by the Company and certain subsidiaries for the years ended September 30, 2020 and 2019 are as follows:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Contribution to a defined contribution pension plan	¥49,865	¥47,228	£366
Contribution to the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan	13,258	12,857	97
Total	¥63,123	¥60,085	£464

7. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

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

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

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

c. Treasury Stock

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

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.4% for each of the years ended September 30, 2020 and 2019.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at September 30, 2020 and 2019 are as follows:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Deferred tax assets:			
Inventories	¥ 56,297	¥ 45,028	£ 413
Allowance for doubtful receivables	258	343	1
Accrued bonuses	46,070	64,609	338
Accrued welfare expense	10,092	8,622	74
Accrued enterprise tax	3,996	14,789	29
Accrued business office tax	3,957	4,249	29
Provision for product warranty	16,343	27,474	120
Accounts payable – other	3,226	3,252	23
Land	10,858	10,858	79
Investment securities	3,151	3,151	23
Property, plant and equipment	150,306	113,946	1,105
Long-term payables	53,360	53,360	392
Asset retirement obligations	12,132	11,830	89
Provision for stock-based compensation	-	11,287	-
Tax loss carryforwards	166,138	137,604	1,221
Foreign currency exchange loss	-	8,017	-
Other	10,542	19,843	77
Total of tax loss carryforwards and temporary differences	546,734	538,270	4,019
Less valuation allowance for tax loss carryforwards	(166,138)	(136,069)	(1,221)
Less valuation allowance for temporary differences	(79,385)	(79,083)	(583)
Total valuation allowance	(245,523)	(215,153)	(1,805)
Deferred tax assets	301,210	323,116	2,214
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(21,430)	(22,544)	(157)
Deferred revenue on sales of properties	(57,771)	(57,771)	(424)
Asset retirement obligations	(2,579)	(2,821)	(18)
Other	(1,273)	-	(9)
Deferred tax liabilities	(83,054)	(83,136)	(610)
Net deferred tax assets	¥ 218,156	¥ 239,979	£ 1,603

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of September 30, 2020 were as follows:

	Thousands of Yen		
Year Ending September 30	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowance for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2021	¥ 16,663	¥ (16,663)	¥ -
2022	-	-	-
2023	-	-	-
2024	44,453	(44,453)	-
2025	21,325	(21,325)	-
2026 and thereafter	83,694	(83,694)	-
Total	¥166,138	¥(166,138)	¥ -

	Thousands of Pounds		
Year Ending September 30	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowance for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2021	£ 122	£ (122)	£ -
2022	-	-	-
2023	-	-	-
2024	326	(326)	-
2025	156	(156)	-
2026 and thereafter	615	(615)	-
Total	£1,221	£(1,221)	£ -

A reconciliation between the normal effective statutory tax rates and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended September 30, 2019 was as follows:

	2019
Normal effective statutory tax rate	30.4%
Expenses not deductible for tax purposes	5.2
Valuation allowance	17.1
Inhabitants' per capita taxes	1.7
Amortization of goodwill	2.3
Tax credit for research and development costs	(7.6)
Income taxes of prior years	1.6
Difference in tax rates in subsidiaries	0.4
Other	1.4
Actual effective tax rate	52.5%

For the year ended September 30, 2020, a reconciliation was not disclosed since the difference of the normal effective statutory tax rate and actual effective tax rate was less than 5.0% of the normal effective statutory tax rate.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥463,375 thousand (£3,406 thousand) and ¥447,304 thousand for the years ended September 30, 2020 and 2019, respectively.

10. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group manages cash surplus primarily by investing only in short-term deposits, and primarily raises funds by borrowing from banks.

The Group operates funds limiting cash and deposits and others and mainly raises funds through bank loans. The Group does not enter into derivatives.

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

Trade receivables, such as notes and accounts receivable, and electronically recorded monetary claims are exposed to customer credit risk. In accordance with the internal policy for managing credit risk, the Group monitors outstanding balances periodically by setting the credit limit amount by customers based on the amount of transactions. Investment securities which are exposed to the risk of market price fluctuations are mainly shares of listed companies which the Group has business with. The fair values of these securities and financial conditions of the issuers are periodically reviewed.

Payment terms of payables, such as notes and account payable, and electronically recorded obligations are less than one year. Among interest bearing debt, short-term bank loans are utilized for business operation and long-term debt is utilized for the purpose of making capital expenditures.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Financial instruments for which it is extremely difficult to determine the fair value are not included in the following table.

(a) Fair values of financial instruments

	Thousands of Yen		
September 30, 2020	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 2,839,536	¥ 2,839,536	¥ -
Trade notes and accounts receivable	3,283,202	3,283,202	-
Electronically recorded monetary claims	644,649	644,649	-
Investment securities	222,185	222,185	-
Total	¥ 6,989,573	¥ 6,989,573	¥ -
Short-term bank loans	¥ 2,630,065	¥ 2,630,065	¥ -
Current portion of long-term debt	621,357	622,072	715
Trade notes and accounts payable	1,130,770	1,130,770	-
Electronically recorded obligations	600,145	600,145	-
Long-term debt	2,939,695	2,943,079	3,384
Total	¥ 7,922,032	¥ 7,926,132	¥ 4,100

September 30, 2019	Thousands of Yen Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 970,730	¥ 970,730	¥ -
Trade notes and accounts receivable	4,224,722	4,224,722	-
Electronically recorded monetary claims	600,599	600,599	-
Investment securities	206,024	206,024	-
Total	¥ 6,002,076	¥ 6,002,076	¥ -
Short-term bank loans	¥ 2,125,000	¥ 2,125,000	¥ -
Current portion of long-term debt	361,404	362,711	1,307
Trade notes and accounts payable	1,714,216	1,714,216	-
Electronically recorded obligations	1,027,968	1,027,968	-
Long-term debt	1,669,480	1,681,334	11,854
Total	¥ 6,898,068	¥ 6,911,230	¥ 13,161

September 30, 2020	Thousands of Pounds Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	£ 20,877	£ 20,877	£ -
Trade notes and accounts receivable	24,139	24,139	-
Electronically recorded monetary claims	4,739	4,739	-
Investment securities	1,633	1,633	-
Total	£ 51,390	£ 51,390	£ -
Short-term bank loans	£ 19,337	£ 19,337	£ -
Current portion of long-term debt	4,568	4,573	5
Trade notes and accounts payable	8,313	8,313	-
Electronically recorded obligations	4,412	4,412	-
Long-term debt	21,613	21,638	24
Total	£ 58,245	£ 58,276	£ 30

Cash and Cash Equivalents, Trade Notes and Accounts Receivable, and Electronically Recorded Monetary Claims

The carrying amounts of cash and cash equivalents, trade notes and accounts receivable, and electronically recorded monetary claims approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity securities, and at the quoted price obtained from the financial institution for certain debt securities. Fair value information for investment securities by classification is included in Note 3.

Trade Notes and Accounts Payable, Electronically Recorded Obligations, and Short-Term Bank Loans

The carrying amounts of trade notes and accounts payable, electronically recorded obligations, and short-term bank loans approximate fair value because of their short maturities.

Current Portion of Long-Term Debt and Long-Term Debt

The fair value of long-term debt, inclusive of current portion, is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

(b) *Carrying amounts of financial instruments for which it is extremely difficult to determine the fair value at September 30, 2020 and 2019 are as follows:*

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Unlisted equity securities	¥200	¥200	£ 1

(4) *Maturity Analysis for Monetary Assets with Contractual Maturities*

The redemption schedule of monetary assets as of September 30, 2020 is as follows:

	Thousands of Yen			
September 30, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 233,856	¥ -	¥ -	¥ -
Trade notes and accounts receivable	3,283,202	-	-	-
Electronically recorded monetary claims	644,649	-	-	-
Total	¥ 4,161,707	¥ -	¥ -	¥ -

	Thousands of Pounds			
September 30, 2020	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	£ 1,719	£ -	£ -	£ -
Trade notes and accounts receivable	24,139	-	-	-
Electronically recorded monetary claims	4,739	-	-	-
Total	£ 30,598	£ -	£ -	£ -

Please see Note 5 for annual maturities of long-term debt.

11. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended September 30, 2020 and 2019 were as follows:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Unrealized loss on available-for-sale securities:			
Loss arising during the year	¥(4,051)	¥(37,886)	£(29)
Reclassification adjustments to income or loss	-	(4,616)	-
Amount before income tax effect	(4,051)	(42,503)	(29)
Income tax effect	1,113	11,224	8
Total	¥(2,937)	¥(31,278)	£(21)
Foreign currency translation adjustments:			
Amounts arising during the year	¥ 4,539	¥ 33,359	£ 33
Total	¥ 1,602	¥ 2,081	£ 11

12. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at September 30, 2020 was approved at the Company's shareholders' meeting held on December 25, 2020:

	Thousands of Yen	Thousands of Pounds
Year-end cash dividends, ¥8.5 (£0.06) per share	¥138,495	£1,018

13. SEGMENT INFORMATION

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

The Group is primarily engaged in manufacturing and sales of simulation systems related to vibration and measuring systems, and provides vibration testing outsourced by clients. Therefore, there is only one reportable segment, and the disclosure of segment information for the years ended September 30, 2020 and 2019 has been omitted. Details on the products of the vibration business are as follows:

1) Dynamic simulation system

The Group manufactures and sells dynamic simulation systems and all-weather simulation system (vibration combined environmental simulation systems) and provides repair and maintenance services for those products.

2) Test and solution service

In addition to manufacturing and sales of the preceding products, the Group provides testing services. Based on requests for vibration tests and analysis from customers, the Group performs environmental testing, including vibration tests for specimens, and performs analyses based on the results of the tests.

3) Measuring system

The Group manufactures and sells measuring systems (including vibration testing systems, vibration monitoring systems, seismic monitoring systems, and environmental reliability evaluation systems) and provides repair and maintenance services for those products. Those systems sense earthquakes and abnormal vibrations resulting from the deterioration and abrasion of industrial machinery and are used to prevent of secondary disasters from earthquakes and in predictive maintenance.

(1) Information on Products and Services

Information on each product and service for the years ended September 30, 2020 and 2019 is as follows:

	Thousands of Yen			
	2020			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Sales to external customers	¥7,984,896	¥2,308,417	¥1,044,863	¥11,338,176

	Thousands of Yen			
	2019			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Sales to external customers	¥8,864,972	¥2,266,675	¥1,216,359	¥12,348,007

	Thousands of Pounds			
	2020			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Sales to external customers	£58,708	£16,972	£7,682	£83,362

(2) Information on Geographical Areas

Information on geographical areas for the years ended September 30, 2020 and 2019 is as follows:

(a) Sales

Thousands of Yen			
2020			
Japan	Asia	Other	Total
¥7,602,399	¥1,261,198	¥2,474,579	¥11,338,176

Thousands of Yen			
2019			
Japan	Asia	Other	Total
¥8,074,998	¥1,760,672	¥2,512,336	¥12,348,007

Thousands of Pounds			
2020			
Japan	Asia	Other	Total
£55,895	£9,272	£18,194	£83,362

Note: Sales are classified by country or region based on the location of customers.

(b) *Property, plant and equipment*

As the balances of property, plant and equipment in Japan account for more than 90% of those in the consolidated financial statements, disclosure of property, plant and equipment as of September 30, 2020 and 2019 has been omitted.

(3) Information on Goodwill

Amortization expense of goodwill amounted to ¥8,370 thousand (£61 thousand) and ¥36,340 thousand for the years ended September 30, 2020 and 2019, respectively. Remaining balance of goodwill amounted to ¥4,185 thousand (£30 thousand) and ¥12,555 thousand as of September 30, 2020 and 2019, respectively.

For the year ended September 30, 2019, the Group recognized loss on impairment for carrying value of goodwill arising from 1G DYNAMICS LIMITED, a consolidated subsidiary, as initially planned revenue is no longer expected.

14. RELATED-PARTY TRANSACTIONS

Principal transactions between the Company and its related party for the years ended September 30, 2020 and 2019 are as follows:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Kura Corporation:			
Purchase of finished goods	¥49,083	¥57,439	£360
Rent of factory	16,020	16,320	117

Balances due to the related party at September 30, 2020 and 2019 are as follows:

	Thousands of Yen		Thousands of Pounds
	2020	2019	2020
Due to:			
Kura Corporation	¥3,987	¥6,220	£29

Applicable consumption taxes are not included in the transaction amounts but are included in the balances in the table above.

The transaction price was determined using the same method as for the third-party transaction.

Rental fee is determined in reference to market value.

Kura Corporation is wholly owned by the relatives of Kenya Kusano, a director of the Company.

* * * * * *