

Consolidated Financial Statements

USHIO INC.

*Year ended March 31, 2019 with
Independent Auditor's Report*



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Independent Auditor's Report

The Board of Directors
USHIO INC.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4 (9).

Ernst & Young ShinNihon LLC

June 27, 2019
Tokyo, Japan

Consolidated Financial Statements, etc.
(1) Consolidated Financial Statements
1) Consolidated Balance Sheet

	As of March 31, 2018		As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)	
Assets				
Current assets				
Cash and deposits (*2)	74,725	85,655	771,743	
Notes and accounts receivable-trade (*2,3)	42,255	39,456	355,492	
Securities	4,851	4,405	39,691	
Merchandise and finished goods	25,717	27,915	251,517	
Work in process	13,624	17,362	156,436	
Raw materials and supplies	14,920	17,163	154,643	
Other	10,436	9,770	88,026	
Allowance for doubtful accounts	(1,590)	(1,610)	(14,513)	
Total current assets	184,940	200,119	1,803,037	
Non-current assets				
Property, plant and equipment				
Buildings and structures	42,045	44,334	399,446	
Accumulated depreciation	(23,845)	(25,225)	(227,274)	
Buildings and structures, net	18,199	19,109	172,171	
Machinery, equipment and vehicles	22,823	23,326	210,165	
Accumulated depreciation	(18,764)	(18,617)	(167,738)	
Machinery, equipment and vehicles, net	4,058	4,709	42,427	
Land	8,534	8,572	77,234	
Construction in progress	2,439	1,481	13,346	
Other	31,869	34,198	308,125	
Accumulated depreciation	(23,524)	(25,019)	(225,424)	
Other, net	8,345	9,178	82,700	
Property, plant and equipment, net	41,578	43,050	387,880	
Intangible assets				
Goodwill	2,358	1,370	12,351	
Other	3,952	3,271	29,478	
Total intangible assets	6,311	4,642	41,829	
Investments and other assets				
Investment securities (*1)	63,819	51,005	459,553	
Long-term loans receivable	170	347	3,129	
Deferred tax assets	1,883	2,104	18,956	
Net defined benefit asset	3,780	3,391	30,554	
Other	2,922	2,505	22,572	
Allowance for doubtful accounts	(103)	(538)	(4,848)	
Total investments and other assets	72,473	58,815	529,918	
Total non-current assets	120,362	106,509	959,628	
Total assets	305,303	306,628	2,762,666	

	As of March 31, 2018		As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)	
Liabilities				
Current liabilities				
Notes and accounts payable-trade (*3)	21,414	21,665	195,198	
Short-term loans payable (*2)	6,950	10,008	90,177	
Current portion of long-term loans payable	1,884	8,520	76,765	
Income taxes payable	873	7,021	63,263	
Provision for bonuses	2,185	2,047	18,449	
Provision for product warranties	2,194	2,192	19,750	
Provision for loss on order received	48	11	105	
Other	18,622	18,105	163,126	
Total current liabilities	54,174	69,572	626,837	
Non-current liabilities				
Long-term loans payable	17,989	10,410	93,796	
Deferred tax liabilities	8,975	4,592	41,376	
Provision for directors' retirement benefits	335	329	2,967	
Provision for directors' stock payment	189	221	1,999	
Net defined benefit liability	2,918	3,186	28,708	
Asset retirement obligations	237	244	2,201	
Other	5,176	4,816	43,391	
Total non-current liabilities	35,822	23,800	214,440	
Total liabilities	89,997	93,373	841,278	
Net assets				
Shareholders' equity				
Capital stock	19,556	19,556	176,198	
Capital surplus	27,771	27,727	249,819	
Retained earnings	163,217	162,936	1,468,027	
Treasury shares, at cost	(17,212)	(10,811)	(97,411)	
Total shareholders' equity	193,332	199,408	1,796,634	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	24,247	14,445	130,154	
Deferred gains or losses on hedges	(15)	(17)	(156)	
Foreign currency translation adjustment	984	2,761	24,884	
Remeasurements of defined benefit plans	(3,471)	(3,496)	(31,506)	
Total accumulated other comprehensive income	21,744	13,693	123,375	
Non-controlling interests	229	152	1,378	
Total net assets	215,306	213,254	1,921,388	
Total liabilities and net assets	305,303	306,628	2,762,666	

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net sales	173,497	165,138	1,487,864
Cost of sales (*1)	111,350	106,611	960,552
Gross profit	62,146	58,526	527,311
Selling, general and administrative expenses (*2,3)	51,995	50,008	450,566
Operating profit	10,151	8,517	76,745
Non-operating income			
Interest income	1,320	1,719	15,492
Dividend income	1,409	1,467	13,226
Foreign exchange gains	-	85	773
Gain on trading securities	357	-	-
Gain on investments in money held in trust	104	55	499
Other	429	499	4,496
Total non-operating income	3,621	3,827	34,488
Non-operating expenses			
Interest expenses	608	560	5,046
Foreign exchange losses	926	-	-
Loss on trading securities	-	162	1,468
Share of loss of entities accounted for using equity method	19	30	271
Other	167	153	1,380
Total non-operating expenses	1,722	906	8,166
Ordinary profit	12,050	11,439	103,068
Extraordinary income			
Gain on sales of non-current assets (*4)	395	85	767
Gain on sales of investment securities	5,991	12,201	109,931
Gain on transfer of benefit obligation relating to employees' pension fund	6,024	-	-
Gain on step acquisitions	30	-	-
Total extraordinary income	12,442	12,286	110,698
Extraordinary losses			
Loss on retirement of non-current assets (*5)	367	80	729
Loss on sales of non-current assets (*6)	8	9	86
Impairment loss (*7)	1,875	141	1,271
Loss on disaster	-	20	187
Loss on sales of investment securities	66	60	542
Loss on valuation of investment securities	181	-	-
Loss on sales of shares of subsidiaries and associates	176	-	-
Loss on valuation of shares of subsidiaries and associates	-	116	1,046
Extra retirement payment	380	-	-
Loss on revision of retirement benefit plan	-	40	368
Business structure improvement expenses (*8)	-	2,576	23,215
Other	-	289	2,608
Total extraordinary losses	3,055	3,335	30,056
Profit before income taxes	21,437	20,390	183,710
Income taxes-current	2,917	9,028	81,346
Income taxes-deferred	7,731	100	907
Total income taxes	10,648	9,129	82,253
Profit	10,788	11,260	101,456
Loss attributable to non-controlling interests	(213)	(65)	(588)
Profit attributable to owners of the parent	11,001	11,326	102,045

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit	10,788	11,260	101,456
Other comprehensive income			
Valuation difference on available-for-sale securities	(6,160)	(9,801)	(88,307)
Deferred gains or losses on hedges	11	(1)	(17)
Foreign currency translation adjustment	(2,187)	1,765	15,906
Remeasurements of defined benefit plans	3,057	(25)	(228)
Share of other comprehensive income of entities accounted for using equity method	(0)	1	11
Total other comprehensive income	(5,279)	(8,061)	(72,636)
Comprehensive income	5,509	3,198	28,820
Comprehensive income attributable to;			
Owners of the parent	5,759	3,274	29,504
Non-controlling interests	(250)	(75)	(684)

3) Consolidated Statement of Changes in Net Assets
Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,772	155,545	(17,216)	185,658
Changes of items during period					
Dividends from surplus			(3,329)		(3,329)
Profit attributable to owners of the parent			11,001		11,001
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares				10	10
Purchase of shares of consolidated subsidiaries		(1)			(1)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(1)	7,672	3	7,674
Balance at end of current period	19,556	27,771	163,217	(17,212)	193,332

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	30,407	(26)	3,135	(6,529)	26,987	643	213,289
Changes of items during period							
Dividends from surplus							(3,329)
Profit attributable to owners of the parent							11,001
Purchase of treasury shares							(7)
Disposal of treasury shares							10
Purchase of shares of consolidated subsidiaries							(1)
Net changes of items other than shareholders' equity	(6,160)	11	(2,151)	3,057	(5,242)	(414)	(5,657)
Total changes of items during period	(6,160)	11	(2,151)	3,057	(5,242)	(414)	2,016
Balance at end of current period	24,247	(15)	984	(3,471)	21,744	229	215,306

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,771	163,217	(17,212)	193,332
Changes of items during period					
Dividends from surplus			(3,329)		(3,329)
Profit attributable to owners of the parent			11,326		11,326
Purchase of treasury shares				(2,263)	(2,263)
Disposal of treasury shares				9	9
Retirement of treasury shares		(43)	(8,611)	8,654	-
Change of scope of consolidation			333		333
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(43)	(281)	6,401	6,076
Balance at end of current period	19,556	27,727	162,936	(10,811)	199,408

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	24,247	(15)	984	(3,471)	21,744	229	215,306
Changes of items during period							
Dividends from surplus							(3,329)
Profit attributable to owners of the parent							11,326
Purchase of treasury shares							(2,263)
Disposal of treasury shares							9
Retirement of treasury shares							-
Change of scope of consolidation							333
Net changes of items other than shareholders' equity	(9,801)	(1)	1,777	(25)	(8,051)	(76)	(8,127)
Total changes of items during period	(9,801)	(1)	1,777	(25)	(8,051)	(76)	(2,051)
Balance at end of current period	14,445	(17)	2,761	(3,496)	13,693	152	213,254

Fiscal year ended March 31, 2019

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	176,198	250,213	1,470,563	(155,084)	1,741,890
Changes of items during period					
Dividends from surplus			(29,997)		(29,997)
Profit attributable to owners of the parent			102,045		102,045
Purchase of treasury shares				(20,391)	(20,391)
Disposal of treasury shares				85	85
Retirement of treasury shares		(393)	(77,586)	77,979	-
Change of scope of consolidation			3,002		3,002
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(393)	(2,535)	57,673	54,743
Balance at end of current period	176,198	249,819	1,468,027	(97,411)	1,796,634

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	218,462	(139)	8,871	(31,277)	195,916	2,063	1,939,870
Changes of items during period							
Dividends from surplus							(29,997)
Profit attributable to owners of the parent							102,045
Purchase of treasury shares							(20,391)
Disposal of treasury shares							85
Retirement of treasury shares							-
Change of scope of consolidation							3,002
Net changes of items other than shareholders' equity	(88,307)	(17)	16,013	(228)	(72,540)	(685)	(73,226)
Total changes of items during period	(88,307)	(17)	16,013	(228)	(72,540)	(685)	(18,482)
Balance at end of current period	130,154	(156)	24,884	(31,506)	123,375	1,378	1,921,388

4) Consolidated Statement of Cash Flows

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	21,437	20,390	183,710
Depreciation	6,790	6,775	61,050
Impairment loss	1,875	141	1,271
Loss on disaster	-	20	187
Increase (decrease) in net defined benefit liability	(7,180)	415	3,743
Amortization of goodwill	1,327	1,135	10,233
Increase (decrease) in allowance for doubtful accounts	543	391	3,526
Business structure improvement expenses	-	2,576	23,215
Interest and dividend income	(2,729)	(3,187)	(28,718)
Interest expenses	608	560	5,046
Loss (gain) on trading securities	(357)	162	1,468
Share of loss (profit) of entities accounted for using equity method	19	30	271
Loss (gain) on sales of non-current assets	(387)	(75)	(681)
Loss on retirement of non-current assets	367	80	729
Loss (gain) on sales of investment securities	(5,924)	(12,141)	(109,389)
Loss (gain) on valuation of investment securities	181	-	-
Loss on valuation of shares of subsidiaries and associates	-	116	1,046
Decrease (increase) in notes and accounts receivable-trade	(1,223)	2,471	22,267
Decrease (increase) in inventories	(4,766)	(8,995)	(81,050)
Increase (decrease) in notes and accounts payable-trade	4,994	252	2,272
Other	2,869	(1,309)	(11,797)
Subtotal	18,444	9,811	88,402
Interest and dividends received	2,757	2,948	26,565
Interest paid	(586)	(586)	(5,283)
Payment of business structure improvement expenses	(1,479)	(702)	(6,330)
Income taxes refund (paid)	(3,568)	(2,617)	(23,580)
Net cash provided by (used in) operating activities	15,567	8,853	79,772

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investing activities			
Payments into time deposits	(10,126)	(16,577)	(149,357)
Proceeds from withdrawal of time deposits	13,902	14,225	128,172
Payments of short-term loans receivable	(324)	(11)	(104)
Collection of short-term loans receivable	324	129	1,167
Purchase of securities	(3,345)	(1,002)	(9,033)
Proceeds from sales and redemption of securities	8,861	2,603	23,459
Purchase of property, plant and equipment	(4,207)	(6,228)	(56,118)
Proceeds from sales of property, plant and equipment	2,070	566	5,104
Purchase of intangible assets	(642)	(924)	(8,332)
Purchase of investment securities	(12,226)	(2,869)	(25,853)
Proceeds from sales and redemption of investment securities	10,597	13,481	121,466
Purchase of shares of subsidiaries resulting in change in scope of consolidation (*2)	(152)	-	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (*3)	(93)	-	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (*3)	-	714	6,438
Payments of long-term loans receivable	(171)	(454)	(4,097)
Collection of long-term loans receivable	3	0	0
Payments for acquisition of business	(151)	(935)	(8,429)
Other	5	2	21
Net cash provided by (used in) investing activities	4,322	2,719	24,503
Financing activities			
Net increase (decrease) in short-term loans payable	1,177	3,028	27,288
Proceeds from long-term loans payable	3,916	521	4,699
Repayment of long-term loans payable	(5,358)	(1,868)	(16,835)
Purchase of treasury shares	(7)	(2,263)	(20,391)
Cash dividends paid	(3,329)	(3,335)	(30,050)
Cash dividends paid to non-controlling shareholders	(11)	(0)	(1)
Net cash provided by (used in) financing activities	(3,613)	(3,916)	(35,290)
Effect of exchange rate changes on cash and cash equivalents	(1,215)	930	8,380
Net increase (decrease) in cash and cash equivalents	15,061	8,586	77,366
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(0)	(0)
Cash and cash equivalents at beginning of year	50,974	66,035	594,967
Cash and cash equivalents at end of year (*1)	66,035	74,622	672,333

Notes to Consolidated Financial Statements

(Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 55

(2) The changes in the scope of consolidation for the fiscal year ended March 31, 2019 are as follows:

(Addition) • One company included in the scope of consolidation due to new establishment
USHIO ASIA PACIFIC VIETNAM CO., LTD.

(Exclusion) • One company excluded from the scope of consolidation due to merger with another consolidated subsidiary
MAXRAY INC.

• One company excluded from the scope of consolidation due to sale of shares
Allure Global Solutions, Inc.

• One company excluded from the scope of consolidation due to termination of parent-subsidiary relationship.
American Green Technology, Inc.

2. Application of equity method

(1) Number of associates under equity method: One

Name of major company:

KA Imaging Inc.

(2) The associate that is not accounted for using the equity method (Hokkaido Saladpaprika Co., Ltd.) is excluded from the scope of the equity method since such exclusion has an immaterial effect on consolidated financial statements of USHIO INC. (the “Company”) in terms of profit or loss (amount corresponding to the Company’s equity position), retained earnings (amount corresponding to the Company’s equity position) and others, and the entity, as a whole, is not material.

(3) The fiscal year-end dates of certain companies accounted for using the equity method are different from the consolidated fiscal year-end date. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end.

3. Fiscal years, etc. of consolidated subsidiaries

The consolidated subsidiaries whose fiscal year end is different from the consolidated fiscal year end are as follows:

Company name	Fiscal year-end date
USHIO (SUZHOU) CO., LTD.	December 31 *1
USHIO SHANGHAI, INC.	December 31 *1
USHIO (GUANGZHOU) CO., LTD.	December 31 *1
USHIO (SHAOGUAN) CO., LTD.	December 31 *1
USHIO MEDICAL TECHNOLOGY (SUZHOU) CO., LTD.	December 31 *1
CHRISTIE DIGITAL SYSTEMS (SHANGHAI) Co., LTD.	December 31 *1
USHIO SHENZHEN, INC.	December 31 *1
CHRISTIE DIGITAL SYSTEMS (SHENZHEN) CO., LTD.	December 31 *1
United Designers of Architectural Lighting, Inc.	December 31 *1
CHRISTIE TRADE DEVELOPMENT (SHANGHAI) LTD.	December 31 *1

*1 Provisional financial statements as of the consolidated fiscal year-end date are used for these companies.

4. Accounting policies

(1) Valuation bases and methods for significant assets

(a) Securities

1) Trading securities

Carried at fair value (the cost of securities sold is calculated by the moving-average method)

2) Held-to-maturity securities

Carried at amortized cost (straight-line method)

3) Available-for-sale securities

Securities with determinable market value:

Carried at fair value based on market prices at the fiscal year-end date (for stocks, the average market price for one month prior to the fiscal year end). (Valuation difference is stated as a component of net assets in the consolidated balance sheets, the cost of securities sold is calculated by the moving-average method.)

Securities without determinable market value:

Carried at cost using the moving-average method

4) Investments in an investment limited partnership and other similar partnerships (deemed as securities according to Article 2, paragraph 2 of the Financial Instruments and Exchange Act)

Carried at their corresponding equity value, based on the latest financial statements available prepared on the financial reporting dates as specified in the respective partnership agreements.

(b) Derivatives

Carried at fair value

(c) Money held in trust for investment purposes

Carried at fair value

(d) Inventories

1) Merchandise and finished goods, and work in process

Merchandise and finished goods, and work in process are stated principally at cost determined by the gross average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

2) Raw materials

Raw materials are stated principally at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

(2) Accounting policy for depreciation of significant assets

(a) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated principally by the straight-line method.

The estimated useful lives of the major assets are as follows:

Buildings and structures: 2 to 60 years

Machinery, equipment and vehicles: 3 to 12 years

Others: 2 to 15 years

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method.

In addition, amortization of software for internal use is calculated by the straight-line method based on the estimated useful life of with five years.

- (c) Leased assets
- Leased assets related to finance lease transactions that transfer ownership
- Leased assets related to finance lease transactions that transfer ownership are depreciated by the same approach as the depreciation method applied to self-owned non-current assets.
- Leased assets related to finance lease transactions that do not transfer ownership
- Leased assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.
- (3) Accounting policy for significant allowances
- (a) Allowance for doubtful accounts
- (i) The Company and its domestic consolidated subsidiaries
- To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.
- (ii) Overseas consolidated subsidiaries
- To prepare for losses from bad debts, an estimated uncollectible amount is provided based on consideration of collectibility for individual receivables.
- (b) Provision for bonuses
- The provision for bonuses represents the amounts for future payments of employees' bonuses. The provision is recognized in the amount that is expected to be paid.
- (c) Provision for directors' retirement benefits
- Some of the consolidated subsidiaries recognize provision for retirement benefits for directors, corporate auditors and others in the full amount that would have to be paid if all the directors and corporate auditors resigned at the balance sheet date based on their internal regulations.
- (d) Provision for directors' stock payment
- Provision for directors' stock payment represents the amounts for future payments of the Company's stock to directors. The provision is recognized based on the amount that is expected to be paid, which is determined using points allocated to each director as prescribed in the share granting rules.
- (e) Provision for product warranties
- Provision for product warranties is recognized for expenses for after-sales service and free repairs for products sold by the Company and its consolidated subsidiaries in the estimated amount to be incurred in the future.
- (f) Provision for loss on orders received
- To provide for future losses on contracted orders received, the Company recognizes a provision for loss on orders received equal to the amount of losses it anticipates after the year-end. Such a provision is recognized when losses on orders received are probable and reasonably estimated at the end of the current fiscal year.
- (4) Accounting treatment of retirement benefits
- (a) Method for attribution of estimated retirement benefits to periods
- In the calculation of retirement benefit obligations, the expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit formula method.
- (b) Accounting method for actuarial gains or losses and past service costs
- Past service costs are amortized by the straight-line method over a certain period (mainly 15 years) that is within the average remaining years of service of the eligible employees when the costs are incurred.
- Actuarial gains or losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (mainly 15 years) that is within the average remaining years of service of the eligible employees when the gains or losses occur.

- (5) Significant hedge accounting
- (a) Hedge accounting
Deferral hedge is applied. When hedging foreign currency risk, certain domestic consolidated subsidiaries apply the foreign exchange rate designated in the forward contract when the transaction qualifies for such treatment.
- (b) Hedging instruments and hedged items
Hedging instruments: Forward foreign exchange contracts and interest rate swaps
Hedged items: Monetary receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies, securities denominated in foreign currencies and foreign loans payable
- (c) Hedging policy
The Company and its consolidated subsidiaries (collectively, the “Group”) hedge the risks of fluctuation in foreign currencies and interest rates in accordance with internal management rules on financial market risk and derivative transactions.
- (d) Method of assessing the hedge effectiveness
The hedge effectiveness is assessed by comparing the cumulative changes in fair value or cash flows of the hedged items and those of the hedging instruments during the period from the inception of the hedge to the time of determining the effectiveness, and based on the respective amount of changes.
- (6) Method and period for amortization of goodwill
Goodwill is amortized in equal portions over the period in which it is deemed to be valuable.
- (7) Scope of cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.
- (8) Other significant matters forming the basis of preparing the consolidated financial statements
Accounting method for consumption taxes
The consumption taxes are accounted for using the tax exclusion method.
- (9) U.S. Dollar Amounts
For the readers’ convenience, the accompanying consolidated financial statements with respect to the year ended March 31, 2019 have been presented in U.S. dollars by translating all yen amounts at ¥110.99 = U.S. \$1.00, the exchange rate prevailing on March 31, 2019. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

(Accounting Standards Issued but Not yet Applied)

- Revenue from Contracts with Customers (Accounting Standard Update (“ASU”) No. 2014-09 (Topic 606), issued on May 28, 2014)

(1) Overview

ASU No. 2014-09 (Topic 606) provides a comprehensive standard for revenue recognition which replaces the existing revenue recognition guidance under U.S. generally accepted accounting principles (GAAP) issued by the Financial Accounting Standard Board (FASB). The core principle of this standard is that an entity should recognize revenue when the entity transfers promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard will have an impact on certain overseas consolidated subsidiaries that adopt U.S. GAAP.

(2) Date of application

ASU No. 2014-09 (Topic 606) will be applied for fiscal years beginning on or after April 1, 2019.

(3) Impact of application

The impact of this standard on the consolidated financial statements is immaterial.

- Leases (ASU No. 2016-02 (Topic 842), issued on February 25, 2016)

(1) Overview

This accounting standard and relevant regulations in principle require that recognition of assets and liabilities arising from all leases to be conducted by the lessee of a lease. There are no significant changes to the accounting requirements of the lessor.

(2) Date of application

ASU No. 2016-02 (Topic 842) will be applied from the fiscal years beginning on or after April 1, 2020.

(3) Impact of application

The impact of this standard on the consolidated financial statements is currently being evaluated.

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued on March 30, 2018)

- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview

International Accounting Standards Board (IASB) and FASB jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS No. 15, issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has become applicable from the fiscal year beginning on and after January 1, 2018 and Topic 606 from the fiscal year beginning after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ’s basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS No. 15 from the viewpoint of comparability of financial statements, which is one of the benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and others in Japan should be considered.

(2) Date of application

These standards will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of application

The impact of applying the “Accounting Standard for Revenue Recognition,” etc. on the consolidated financial statements is currently being evaluated.

(Changes in Presentation)

(Changes in line with the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018; hereinafter the “Partial Amendments to Tax Effect Accounting Standard”) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.” The Company has also made changes to the notes to Tax Effect Accounting.

As a result, in the consolidated balance sheet for the previous fiscal year, deferred tax assets under “Current assets” decreased by ¥3,289 million and deferred tax assets under “Investments and other assets” increased by ¥1,328 million. Deferred tax liabilities under “Current liabilities” decreased by ¥618 million and deferred tax liabilities under “Non-current liabilities” decreased by ¥1,342 million.

In addition, deferred tax assets were offset against deferred tax liabilities for the same tax jurisdiction, and as a result, total assets decreased by ¥1,961 million compared to the previous methods of presentation. Furthermore, in the notes to Tax Effect Accounting, contents described in the “Accounting Standard for Tax Effect Accounting” explanatory note (Note 8) (excluding the total amount of valuation allowance) and explanatory note (Note 9) set out in paragraphs 3 through 5 of the Partial Amendments to Tax Effect Accounting Standard have been added; provided, however, comparative information for the previous fiscal year was not described in accordance with the transitional treatment as presented in paragraph 7 of the Partial Amendments to Tax Effect Accounting Standard.

(Additional Information)

(Stock remuneration plan for directors)

The Company has introduced a stock remuneration plan for directors of the Company (excluding outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding overseas residents, hereinafter “Directors, etc.”), in order to raise the incentive to contribute to improving the Company’s medium- to long-term business performance and to increasing enterprise value.

(1) Overview

The Company entrusts money equivalent to remuneration of Directors, etc. The Company’s shares will be acquired using the entrusted money and the Company’s shares and the cash equivalent of the conversion value of the Company’s shares will be delivered and paid to Directors, etc., based on his or her position and the degree of accomplishment of business performance. Directors, etc., are eligible to receive the Company’s shares and the cash equivalent of the conversion value of the Company’s shares, in principle after retiring from the position of Director, etc. In order to maintain neutrality toward management of the Company, the voting rights of the Company’s shares in the trust may not be exercised during the trust period.

(2) The Company’s shares in the trust

The Company’s shares in the trust were recorded as treasury shares in shareholders’ equity on the consolidated balance sheet with the carrying value in the trust (excluding ancillary expenses). The carrying value and number of treasury shares in the trust were ¥484 million and 292,700 shares as of March 31, 2018 and ¥573 million (\$5,168 thousand) and 352,300 shares as of March 31, 2019, respectively.

(Consolidated Balance Sheet)

*1 Investments in associates are as follows:

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investment securities (stocks)	30	53	485

*2 Assets pledged as collateral

The assets pledged as collateral for loans payable are as follows:

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	14	-	-
Notes and accounts receivable-trade	127	-	-
Total	141	-	-

The related loans payable for which the above assets are pledged as collateral are as follows:

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Short-term loans payable	400	-	-
Total	400	-	-

*3 Notes maturing at the fiscal year end

Notes maturing at the fiscal year end are accounted for on the clearing dates. Since the last day of the fiscal year ended March 31, 2019 was a holiday of financial institutions, the following notes maturing at the fiscal year end are included in the balances at the fiscal year end.

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable-trade	116	125	1,130
Notes payable-trade	713	651	5,868

(Consolidated Statement of Income)

*1 The ending inventory balance is the amount after write-down of book value due to decline in profitability, and the loss on valuation of inventories included in cost of sales is as follows:

Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
(Millions of yen)		(Millions of yen)	(Thousands of U.S. dollars)
984		917	8,266

*2 The main components of selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Salaries and wages	13,951	13,567	122,244
Provision for bonuses	716	878	7,918
Retirement benefit expenses	642	499	4,503
Provision for directors' retirement benefits	69	66	595
Provision for directors' stock payment	77	41	374
Research and development expenses	10,675	10,110	91,093
Provision of allowance for doubtful accounts	399	231	2,087

*3 Research and development expenses included in general and administrative expenses are as follows:

Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
(Millions of yen)		(Millions of yen)	(Thousands of U.S. dollars)
10,675		10,110	91,093

*4 The breakdown of gain on sales of non-current assets is as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	196	-	-
Machinery, equipment and vehicles	14	24	224
Land	138	-	-
Other	46	60	542
Total	395	85	767

*5 The breakdown of loss on retirement of non-current assets is as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	(Thousands of U.S. dollars)
	(Millions of yen)	(Millions of yen)	
Buildings and structures	1	27	251
Machinery, equipment and vehicles	11	7	64
Construction in progress	175	-	-
Other (tools, furniture and fixtures, etc.)	178	45	413
Total	367	80	729

*6 The breakdown of loss on sales of non-current assets is as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	(Thousands of U.S. dollars)
	(Millions of yen)	(Millions of yen)	
Buildings and structures	-	8	78
Machinery, equipment and vehicles	7	0	7
Other	0	-	-
Total	8	9	86

*7 Impairment loss

Fiscal year ended March 31, 2018

Location	Classification by use	Type of assets	(Millions of yen)
Indiana, U.S.A.	Business assets	Goodwill, Other (Intangible assets)	1,007
Tennessee, U.S.A.	Business assets	Other (Intangible assets)	416
Kawasaki, Kanagawa and others	Business assets	Buildings and structures, Machinery, equipment and vehicles, Construction in progress, Other (Property, plant and equipment, and Intangible assets)	141
Kanzaki, Hyogo	Assets planned to be sold	Buildings and structures	135
Osaka, Osaka	Business assets	Machinery, equipment and vehicles, Construction in progress, Other (Property, plant and equipment, and Intangible assets)	79
Amagasaki, Hyogo	Business assets	Machinery, equipment and vehicles, Other (Property, plant and equipment)	49
Osaka, Osaka	Assets planned to be sold	Buildings and structures, Land, Other	46

In principle, the Group's business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group's idle assets and assets planned to be sold are grouped on an individual asset basis.

The book values of business assets are written down to zero or the net realizable values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The book values of assets planned to be sold are written down to the net realizable values due to a decision to sell the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The net realizable values are based on the expected sales prices.

* Breakdown of impairment loss by location is as follows:

- Impairment loss of ¥1,007 million recognized for Indiana, U.S.A. includes ¥245 million for goodwill and ¥761 million for other (intangible assets).
- Impairment loss of ¥416 million recognized for Tennessee, U.S.A. is for other (intangible assets).
- Impairment loss of ¥141 million recognized for Kawasaki, Kanagawa and others includes ¥6 million for buildings and structures, ¥7 million for machinery, equipment and vehicles, ¥48 million for construction in progress, ¥65 million for other (property, plant and equipment) and ¥13 million for other (intangible assets).
- Impairment loss of ¥135 million recognized for Kanzaki, Hyogo is for buildings and structures.
- Impairment loss of ¥79 million recognized for Osaka, Osaka includes ¥10 million for machinery, equipment and vehicles, ¥3 million for construction in progress, ¥33 million for other (property, plant and equipment) and ¥31 million for other (intangible assets).
- Impairment loss of ¥49 million recognized for Amagasaki, Hyogo includes ¥49 million for machinery, equipment and vehicles and ¥0 million for other (property, plant and equipment).
- Impairment loss of ¥46 million recognized for Osaka, Osaka includes ¥23 million for buildings and structures, ¥13 million for land and ¥8 million for other.

Fiscal year ended March 31, 2019

Location	Classification by use	Type of assets	(Millions of yen)	(Thousands of U.S. dollars)
Georgia, U.S.A.	Assets planned to be sold	Goodwill, Other (Intangible assets)	578	5,209
California, U.S.A.	Assets planned to be sold	Machinery, equipment and vehicles	310	2,798
Chiyoda-ku, Tokyo Kawasaki, Kanagawa Takasago, Hyogo and others	Business assets	Other (Property, plant and equipment), Buildings and structures, Machinery, equipment and vehicles	79	716
Kanzaki-Gun, Hyogo Chuo-ku, Tokyo and Others	Business assets	Machinery, equipment and vehicles, Construction in progress, Other (Property, plant and equipment, and Intangible assets)	46	417
Gotemba, Shizuoka	Business assets	Buildings and structures	10	92
Osaka, Osaka	Business assets	Machinery, equipment and vehicles	5	45

Concerning assets planned to be sold of Georgia, U.S.A. and California, U.S.A., the book values are written down to the net realizable value due to the decision to sell the assets accompanying the business structure improvement of CHRISTIE Group, and the write-downs are recognized as a business structure improvement expense under extraordinary losses.

In principle, the Group's business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group's idle assets and assets planned to be sold are grouped on an individual asset basis.

The book values of business assets are written down to zero or the net realizable values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The book values of assets planned to be sold are written down to the net realizable values due to a decision to sell the assets, and the write-downs are recorded as impairment loss in extraordinary losses. The net realizable values are based on the expected sales prices.

* Breakdown of impairment loss by location is as follows:

- Impairment loss of ¥578 million (\$5,209 thousand) recognized for Georgia, U.S.A. includes ¥461 million (\$4,162 thousand) for goodwill and ¥116 million (\$1,047 thousand) for other (intangible assets).
- Impairment loss of ¥310 million (\$2,798 thousand) recognized for California, U.S.A. includes ¥310 million (\$2,798 thousand) for machinery, equipment and vehicles.
- Impairment loss of ¥79 million (\$716 thousand) recognized for Chiyoda, Tokyo, etc. includes ¥52 million (\$471 thousand) for other (property, plant and equipment), ¥18 million (\$163 thousand) for buildings and structures, and ¥9 million (\$81 thousand) for machinery, equipment and vehicles.
- Impairment loss of ¥46 million (\$417 thousand) recognized for Kanzaki, Hyogo, etc. includes ¥26 million (\$241 thousand) for machinery, equipment and vehicles, ¥11 million (\$104 thousand) for construction in progress, ¥5 million (\$48 thousand) for other (property, plant and equipment), ¥1 million (\$11 thousand) for other (intangible assets), and ¥1 million (\$11 thousand) for buildings and structures.
- Impairment loss of ¥10 million (\$92 thousand) recognized for Gotemba, Shizuoka includes ¥10 million (\$92 thousand) for buildings and structures.
- Impairment loss of ¥5 million (\$45 thousand) recognized for Osaka, Osaka includes ¥5 million (\$45 thousand) for machinery, equipment and vehicles.

*8 Business structure improvement expenses

Fiscal year ended March 31, 2018

Not applicable.

Fiscal year ended March 31, 2019

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company's businesses. The major components in the breakdown of these expenses were ¥1,101 million (\$9,923 thousand) of expenses for personnel downsizing, etc. due to the restructuring of CHRISTIE Group, and ¥888 million (\$8,008 thousand) of impairment loss on goodwill and other non-current assets, etc. accompanying the disposal of unprofitable operations.

(Consolidated Statement of Comprehensive Income)

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income are as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the year	(2,738)	(1,783)	(16,068)
Reclassification adjustments	(6,039)	(12,213)	(110,040)
Amount before income tax effect	(8,777)	(13,996)	(126,109)
Income tax effect	2,617	4,195	37,801
Valuation difference on available-for-sale securities	(6,160)	(9,801)	(88,307)
Deferred gains or losses on hedges:			
Amount arising during the year	0	5	46
Reclassification adjustments	4	(7)	(71)
Amount before income tax effect	4	(2)	(24)
Income tax effect	6	0	7
Deferred gains or losses on hedges	11	(1)	(17)
Foreign currency translation adjustment:			
Amount arising during the year	(2,962)	1,623	14,626
Reclassification adjustments	774	142	1,280
Amount before income tax effect	(2,187)	1,765	15,906
Income tax effect	-	-	-
Foreign currency translation adjustment	(2,187)	1,765	15,906
Remeasurements of defined benefit plans:			
Amount arising during the year	172	(515)	(4,646)
Reclassification adjustments	4,236	501	4,517
Amount before income tax effect	4,409	(14)	(129)
Income tax effect	(1,351)	(11)	(99)
Remeasurements of defined benefit plans	3,057	(25)	(228)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(0)	1	11
Share of other comprehensive income of entities accounted for using equity method	(0)	1	11
Total other comprehensive income	(5,279)	(8,061)	(72,636)

(Consolidated Statement of Changes in Net Assets)

Fiscal year ended March 31, 2018

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2017	Increase	Decrease	Number of shares as of March 31, 2018
Shares issued:				
Common shares	139,628,721	-	-	139,628,721
Total	139,628,721	-	-	139,628,721
Treasury shares				
Common shares (Note)	11,867,972	4,721	6,400	11,866,293
Total	11,867,972	4,721	6,400	11,866,293

(Notes) 1. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (299,100 shares and 292,700 shares at the beginning and end of the current fiscal year, respectively).

2. The increase of 4,721 shares of treasury shares is due to purchase of shares of less than standard unit.

3. The decrease of 6,400 shares of treasury shares is due to issuance from trust to eligible persons according to stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2017	Common shares	3,329	26	March 31, 2017	June 30, 2017

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2017 include ¥7 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2018 and the effective date in the fiscal year ended March 31, 2019

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2018	Common shares	3,329	Retained earnings	26	March 31, 2018	June 29, 2018

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 28, 2018 include ¥7 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

Fiscal year ended March 31, 2019

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2018	Increase	Decrease	Number of shares as of March 31, 2019
Shares issued:				
Common shares	139,628,721	-	6,000,000	133,628,721
Total	139,628,721	-	6,000,000	133,628,721
Treasury shares				
Common shares (Note)	11,866,293	1,780,494	6,005,700	7,641,087
Total	11,866,293	1,780,494	6,005,700	7,641,087

- (Notes) 1. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (292,700 shares and 352,300 shares at the beginning and end of the current fiscal year, respectively).
2. The increase of 1,780,494 shares of treasury shares is made up by an increase of 1,712,000 shares through market purchase, an increase of 65,300 shares held by the trust for the stock remuneration plan for directors, and an increase of 3,194 shares by purchasing shares of less than standard unit.
3. The decrease of 6,005,700 shares of treasury shares is made up by a decrease of 6,000,000 shares resulting from the retirement of treasury shares and a decrease of 5,700 shares due to issuance from trust to eligible person according to stock remuneration for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2018	Common shares	3,329	29,997	26	0.23	March 31, 2018	June 29, 2018

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 28, 2018 include ¥7 million (\$68 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2019 and the effective date in the fiscal year ending March 31, 2020

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2019	Common shares	6,316	56,915	Retained earnings	50	0.45	March 31, 2019	June 28, 2019

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 27, 2019 include ¥17 million (\$158 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(Consolidated Statement of Cash Flows)

*1. Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	74,725	85,655	771,743
Time deposits with a maturity of more than three months	(8,689)	(11,202)	(100,930)
Money management funds and others included in securities	-	168	1,520
Cash and cash equivalents	66,035	74,622	672,333

*2. Major components of assets and liabilities of companies included in the scope of consolidation through share acquisition

Fiscal year ended March 31, 2018

Information is omitted because of immateriality.

Fiscal year ended March 31, 2019

Not applicable.

*3. Major components of assets and liabilities of companies excluded from the scope of consolidation due to sale of shares

Fiscal year ended March 31, 2018

Information is omitted because of immateriality.

Fiscal year ended March 31, 2019

Information is omitted because of immateriality.

(Lease Transactions)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

1) Leased assets

• Property, plant and equipment

These leases are mainly production facilities (machinery, equipment and vehicles) and inspection instruments (other) of the Company's consolidated subsidiaries.

• Intangible assets

These leases are mainly software (other) of the Company's consolidated subsidiaries.

2) Depreciation of leased assets

Leased assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	1,372	1,522	13,715
Due after one year	2,710	1,760	15,858
Total	4,083	3,282	29,573

(Financial Instruments)

1. Overview of financial instruments

(1) Basic policy on treating financial instruments

The Group invests floating money and funds reserved for future business expansion mainly in highly safe financial assets, according to the Group's cash management plan. Method of fund raising is determined based upon the use of funds and financing environment. The Group utilizes derivative transactions only to avoid foreign exchange rate fluctuation risk and interest rate fluctuation risk, and does not use them for trading or speculative purposes.

(2) The nature and risk of financial instruments

Notes and accounts receivable – trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies are also exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Securities and investment securities consist mainly of equity securities issued by companies with whom the Group has business alliances and equity or debt securities held for the purpose of short-term investment of floating money and reserved funds. Investments in money held in trust is also held for the purpose of investment of reserved funds. These investments are exposed to market risk. A part of securities, investment securities, and investments in money held in trust are denominated in foreign currency, and they are exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Notes and accounts payable – trade, which are operating payables, are mostly due within one year. Some of them are denominated in foreign currencies and exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Short-term and long-term loans payable, which are made to obtain working capital, are mostly due within three years after the end of the current fiscal year. While floating-rate loans payable are exposed to interest rate risk, certain long-term floating-rate loans payable are hedged by using interest rate swaps.

As for derivative transactions, forward foreign exchange contracts and currency swaps are entered into for the purpose of hedging foreign exchange risk deriving from operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies. In addition, interest rate swaps are entered into for the purpose of hedging interest rate fluctuation risk deriving from interest payments for loans payable. For the hedging instruments and hedged items under the hedge accounting, hedging policy, and the method of assessing the hedge effectiveness, please refer to “Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements, 4. Accounting policies, (5) Significant hedge accounting” prescribed above.

(3) Risk management structure regarding financial instruments

1) Management of credit risk (customers' default risk, etc.)

For operating receivables, the Company reviews the credibility of customers by monitoring their financial status on a daily and continuous basis in accordance with the internal regulations for credit exposure management. At the same time, it endeavors to early identify and mitigate any concern on the collection of receivables due to deteriorated financial conditions by managing due dates and balances for each customer and appropriately reviewing the credit lines. The Company's consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company's internal rules for credit exposure management. The credit risk associated with debt securities is immaterial since the Group invests in debt securities with high credit ratings.

Derivative transactions are entered into only with highly rated financial institutions in order to mitigate counterparty risk.

As of the fiscal year end, the maximum credit risk amount is presented as the consolidated balance sheet amounts of financial assets that are exposed to credit risk.

2) Management of market risk (fluctuation risk of foreign currency exchange and interest rates, etc.)

The Company utilizes forward foreign exchange contracts and currency swaps for foreign exchange risk identified by currency and by month in relation to operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies in accordance with the internal rules for market risk management. Some of the Company's consolidated subsidiaries also manage market risk in the same manner in accordance with

the Company's internal rules for market risk management.

For securities and investment securities, market prices and the financial position of the issuers are periodically monitored and reported to directors in charge in accordance with the internal rules for market risk management. In addition, the holding status of shares issued by companies with business relationships is continuously reviewed in consideration of the relationships with those companies.

Derivative transactions are reported to directors in charge on a daily basis as well as to the Board of Directors in accordance with the internal rules for derivative transactions that define the authorization policy and limits of transactions. The Company's consolidated subsidiaries also manage derivative transactions in the same manner in accordance with the Company's internal rules.

3) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)

Liquidity risk of the Company and its consolidated subsidiaries is managed by the Finance and Treasury Departments, preparing and updating the cash management plan based upon reports from each department as well as by maintaining certain liquidity.

(4) Supplementary explanation concerning fair values of financial instruments, etc.

The notional amounts of derivative transactions in "2. Fair value of financial instruments" do not, in themselves, indicate the market risk associated with the derivative transactions.

2. Fair value of financial instruments

The table below presents the amounts of financial instruments recorded in the consolidated balance sheet and their fair values, as well as their differences. Financial instruments whose fair values cannot be reliably determined are not included.

As of March 31, 2018

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	74,725	74,725	-
(2) Notes and accounts receivable – trade	42,255		
Allowance for doubtful accounts (*1)	(1,586)		
	40,669	40,669	-
(3) Securities and investment securities			
Trading securities	2,329	2,329	-
Available-for-sale securities	64,015	64,015	-
(4) Investments in money held in trust	2,322	2,322	-
Assets, total	184,061	184,061	-
(1) Notes and accounts payable – trade	21,414	21,414	-
(2) Short-term loans payable	6,950	6,950	-
(3) Current portion of long-term loans payable	1,884	1,891	6
(4) Long-term loans payable	17,989	17,837	(151)
Liabilities, total	48,238	48,093	(144)
Derivative transactions (*2)			
for which hedge accounting is not applied	89	89	-
for which hedge accounting is applied	(22)	(22)	-

(*1): The deducted amount includes general and specific allowance for doubtful accounts relating to notes and accounts receivable – trade.

(*2): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

As of March 31, 2019

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	85,655	85,655	-
(2) Notes and accounts receivable-trade Allowance for doubtful accounts (*1)	39,456 (1,607)		
	37,848	37,848	-
(3) Securities and investment securities			
Trading securities	2,079	2,079	-
Available-for-sale securities	51,139	51,139	-
(4) Investments in money held in trust	2,314	2,314	-
Assets, total	179,038	179,038	-
(1) Notes and accounts payable-trade	21,665	21,665	-
(2) Short-term loans payable	10,008	10,008	-
(3) Current portion of long-term loans payable	8,520	8,582	61
(4) Long-term loans payable	10,410	10,407	(3)
Liabilities, total	50,604	50,663	58
Derivative transactions (*2) for which hedge accounting is not applied	275	275	-
for which hedge accounting is applied	(25)	(25)	-

As of March 31, 2019

	Consolidated balance sheet amount (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
(1) Cash and deposits	771,743	771,743	-
(2) Notes and accounts receivable-trade Allowance for doubtful accounts (*1)	355,492 (14,484)		
	341,007	341,007	-
(3) Securities and investment securities			
Trading securities	18,734	18,734	-
Available-for-sale securities	460,761	460,761	-
(4) Investments in money held in trust	20,856	20,856	-
Assets, total	1,613,103	1,613,103	-
(1) Notes and accounts payable-trade	195,198	195,198	-
(2) Short-term loans payable	90,177	90,177	-
(3) Current portion of long-term loans payable	76,765	77,323	558
(4) Long-term loans payable	93,796	93,766	(29)
Liabilities, total	455,938	456,467	528
Derivative transactions (*2) for which hedge accounting is not applied	2,478	2,478	-
for which hedge accounting is applied	(226)	(226)	-

(*1): The deducted amount includes general and specific allowance for doubtful accounts relating to notes and accounts receivable – trade.

(*2): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

(Notes) 1. Measurement method of fair values of financial instruments and matters concerning securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

The fair value of these accounts approximates their book value because they are settled in a short period of time. Thus, the fair value is presented as their book value.

(3) Securities and investment securities

The fair value of equity securities is based on market prices at the stock exchange, and that of debt securities is obtained from financial institutions. Please refer to Note “Securities and Investment Securities” for notes on securities by holding purpose.

(4) Investments in money held in trust

The fair value is based upon the price obtained from financial institutions.

Liabilities

(1) Notes and accounts payable – trade and (2) Short-term loans payable

The fair value of these accounts approximates their book value because they are settled in a short period of time. Thus, the fair value is presented as their book value.

(3) Current portion of long-term loans payable and (4) Long-term loans payable

The fair value of long-term loans payable is measured by discounting the total of principal and interest at an assumed rate for similar new borrowings.

Derivative transactions

The fair value is measured based upon the prices obtained from financial institutions.

Please refer to Note “Derivative Transactions” for notes on derivative transactions by type of transaction.

2. Financial instruments whose fair values cannot be reliably determined

Classification	Consolidated balance sheet amount (As of March 31, 2018)	Consolidated balance sheet amount (As of March 31, 2019)	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted shares and investments in business partnerships with limited liability	2,326	2,191	19,748

The above financial instruments are not included in “(3) Securities and investment securities” because their market prices are not available and their fair values cannot be reliably determined.

3. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated balance sheet date

As of March 31, 2018

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	74,725	-	-	-
Notes and accounts receivable - trade	41,881	374	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	1,650	2,843	212	9,316
Total	118,256	3,218	212	9,316

As of March 31, 2019

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	85,655	-	-	-
Notes and accounts receivable-trade	39,322	133	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	744	7,145	983	9,733
Total	125,723	7,279	983	9,733

As of March 31, 2019

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to five years (Thousands of U.S. dollars)	Due after five years and up to ten years (Thousands of U.S. dollars)	Due after ten years (Thousands of U.S. dollars)
Cash and deposits	771,743	-	-	-
Notes and accounts receivable-trade	354,291	1,200	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	6,708	64,382	8,863	87,696
Total	1,132,744	65,582	8,863	87,696

4. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts after the consolidated balance sheet date

As of March 31, 2018

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Short-term loans payable	6,950	-	-	-	-
Long-term loans payable	1,884	7,984	5,843	4,161	-
Total	8,835	7,984	5,843	4,161	-

As of March 31, 2019

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Short-term loans payable	10,008	-	-	-	-
Long-term loans payable	8,520	6,137	3,828	20	424
Total	18,529	6,137	3,828	20	424

As of March 31, 2019

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)
Short-term loans payable	90,177	-	-	-	-
Long-term loans payable	76,765	55,299	34,496	180	3,820
Total	166,942	55,299	34,496	180	3,820

(Securities and Investment Securities)

1. Trading securities

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference included in profit or loss	290	(45)	(407)

2. Available-for-sale securities

As of March 31, 2018

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition costs	(1) Shares	43,461	7,619	35,841
	(2) Bonds:			
	1) National and local government bonds	-	-	-
	2) Corporate bonds	479	462	17
	(3) Other	985	951	34
	Subtotal	44,927	9,033	35,893
Securities whose carrying value does not exceed their acquisition costs	(1) Shares	1,990	2,049	(59)
	(2) Bonds:			
	1) National and local government bonds	-	-	-
	2) Corporate bonds	17,097	17,971	(874)
	(3) Other	-	-	-
	Subtotal	19,087	20,021	(933)
Total		64,015	29,054	34,960

(Note) Unlisted shares and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥2,326 million) are not included in the above table of "Available-for-sale securities" as their market prices are not available and their fair values cannot be reliably determined.

As of March 31, 2019

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition costs	(1) Shares	29,341	7,458	21,883
	(2) Bonds:			
	1) National and local government bonds	-	-	-
	2) Corporate bonds	1,666	1,622	44
	(3) Other	1,112	1,042	70
	Subtotal	32,120	10,122	21,997
Securities whose carrying value does not exceed their acquisition costs	(1) Shares	2,485	2,717	(232)
	(2) Bonds:			
	1) National and local government bonds	-	-	-
	2) Corporate bonds	16,365	17,151	(786)
	(3) Other	-	-	-
	Subtotal	18,850	19,869	(1,019)
Total		50,971	29,992	20,978

As of March 31, 2019

	Type	Carrying value (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Securities whose carrying value exceeds their acquisition costs	(1) Shares	264,364	67,198	197,165
	(2) Bonds:			
	1) National and local government bonds	-	-	-
	2) Corporate bonds	15,014	14,616	397
	(3) Other	10,021	9,390	630
	Subtotal	289,400	91,206	198,193
Securities whose carrying value does not exceed their acquisition costs	(1) Shares	22,392	24,487	(2,094)
	(2) Bonds:			
	1) National and local government bonds	-	-	-
	2) Corporate bonds	147,448	154,535	(7,087)
	(3) Other	-	-	-
	Subtotal	169,840	179,022	(9,181)
Total		459,241	270,228	189,012

(Note) Unlisted shares and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥2,191 million (\$19,748 thousand)) are not included in the above table of "Available-for-sale securities" as their market prices are not available and their fair values cannot be reliably determined.

3. Available-for-sale securities sold

Fiscal year ended March 31, 2018

Type	Amount sold (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	6,962	5,792	61
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	1,814	9	-
(3) Other	640	189	5
Total	9,417	5,991	66

Fiscal year ended March 31, 2019

Type	Amount sold (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	12,957	12,201	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	169	-	60
(3) Other	-	-	-
Total	13,126	12,201	60

Fiscal year ended March 31, 2019

Type	Amount sold (Thousands of U.S. dollars)	Aggregate gains on sales (Thousands of U.S. dollars)	Aggregate losses on sales (Thousands of U.S. dollars)
(1) Shares	116,740	109,931	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	1,527	-	542
(3) Other	-	-	-
Total	118,268	109,931	542

4. Impairment loss recognized on securities

Fiscal year ended March 31, 2018

Impairment loss amounted to ¥181 million is recognized in shares classified as available-for-sale securities.

Fiscal year ended March 31, 2019

Not applicable.

Impairment loss is recognized for all the securities whose fair value at the end of the fiscal year declines by 50% or more of their acquisition cost. It is also recognized when the fair value declines by approximately 30% to 50% of the acquisition cost at the amount deemed necessary considering the recoverability of the security.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Currency-related transactions:

As of March 31, 2018

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Bilateral transactions	Forward foreign exchange contracts:				
	Sell:				
	EUR	293	147	(28)	(28)
	Buy:				
	USD	719	-	(22)	(22)
JPY	665	-	8	8	
	Currency swaps:				
	Receive JPY/ Pay USD	3,070	3,070	131	131
	Total	4,749	3,218	89	89

(Note) Methods of fair value measurement

Fair values are calculated based on the prices provided by counterparty financial institutions.

As of March 31, 2019

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Bilateral transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	110	-	(0)	(0)
	EUR	154	-	3	3
	Buy:				
	USD	88	-	(0)	(0)
	JPY	825	-	6	6
	Currency swaps:				
	Receive JPY/ Pay USD	3,070	-	277	277
	Total	4,249	-	287	287

As of March 31, 2019

Classification	Type of transaction	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)	Unrealized gain (loss) (Thousands of U.S. dollars)
Bilateral transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	995	-	(2)	(2)
	EUR	1,392	-	30	30
	Buy:				
	USD	797	-	(0)	(0)
	JPY	7,434	-	62	62
	Currency swaps:				
	Receive JPY/ Pay USD	27,668	-	2,497	2,497
	Total	38,288	-	2,587	2,587

(Note) Methods of fair value measurement

Fair values are calculated based on the prices provided by counterparty financial institutions.

Interest-rate-related transactions:

As of March 31, 2018

Not applicable.

As of March 31, 2019

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Bilateral transactions	Interest rate swaps: Receive floating/ Pay fixed	504	484	(12)	(12)

As of March 31, 2019

Classification	Type of transaction	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)	Unrealized gain (loss) (Thousands of U.S. dollars)
Bilateral transactions	Interest rate swaps: Receive floating/ Pay fixed	4,540	4,360	(108)	(108)

2. Derivative transactions for which hedge accounting is applied

Currency-related transactions:

As of March 31, 2018

Not applicable.

As of March 31, 2019

Hedge accounting	Type of transaction	Hedged item	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)
Designated hedge accounting of forward foreign exchange contracts, etc.	Forward foreign exchange contracts: Sell: USD	Accounts receivable – trade	5	–	0

As of March 31, 2019

Hedge accounting	Type of transaction	Hedged item	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)
Designated hedge accounting of forward foreign exchange contracts, etc.	Forward foreign exchange contracts: Sell: USD	Accounts receivable – trade	53	–	0

Interest-rate-related transactions:

As of March 31, 2018

Hedge accounting	Type of transaction	Hedged item	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)
Deferred hedge accounting	Interest rate swaps: Receive floating/ Pay fixed	Long-term loans payable	3,450	3,450	(22)

(Note) Methods of fair value measurement

Fair values are calculated based on the prices provided by counterparty financial institutions.

As of March 31, 2019

Hedge accounting	Type of transaction	Hedged item	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)
Deferred hedge accounting	Interest rate swaps: Receive floating/ Pay fixed	Long-term loans payable	3,450	3,450	(25)

As of March 31, 2019

Hedge accounting	Type of transaction	Hedged item	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)
Deferred hedge accounting	Interest rate swaps: Receive floating/ Pay fixed	Long-term loans payable	31,083	31,083	(227)

(Note) Methods of fair value measurement

Fair values are calculated based on the prices provided by counterparty financial institutions.

(Retirement Benefit Plans)

1. Overview of retirement benefit plan adopted by the Company

To prepare for the payment of employees' retirement benefits, the Company and its consolidated subsidiaries adopted funded and unfunded defined benefit plans, and a defined contribution plan.

Under the defined benefit corporate pension plans, all of which are funded, the Company provides lump-sum or pension benefits based on salaries and length of service.

In addition, retirement benefit trusts are set up for said corporate pension plans of the Company.

Under the lump-sum retirement benefit plans, which are principally unfunded and partially funded as a result of the setup of retirement benefit trusts, the Company provides lump-sum benefits based on salaries and length of service.

The Company received approval from the Minister of Health, Labour and Welfare on April 1, 2016 for the waiver of future payment obligations and on May 1, 2017 for the return of the benefit obligations related to past employee service for a substitutional portion of the welfare pension fund. On August 14, 2018, Ushio Denki Kigyo Nenkin Kikin (Ushio Corporate Pension Fund), in which the Company participates, paid to the government ¥7,942 million (\$71,558 thousand) comprising the transfer amount of the substitutional portion (minimum policy reserve). Its impact on profit or loss in the fiscal year ended March 31, 2019 amounted to ¥5 million (\$46 thousand) which was recognized in selling, general and administrative expenses.

Under the defined benefit corporate pension plans and the lump-sum retirement benefit plans for certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit plan

(1) Reconciliation between retirement benefit obligations at beginning of period and end of period

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation at beginning of period	37,701	28,629	257,950
Current service costs	1,016	1,046	9,425
Interest costs	214	158	1,432
Actuarial gains and losses arising during period	619	408	3,676
Retirement benefits paid	(1,177)	(449)	(4,051)
Past service costs	(53)	-	-
Reduction amount associated with transfer of benefit obligation relating to employees' pension fund	(9,667)	(7,937)	(71,512)
Other	(0)	-	-
Effect of exchange rate changes	(23)	2	21
Retirement benefit obligation at end of period	28,629	21,858	196,942

(2) Reconciliation between plan assets at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at beginning of period	28,310	30,109	271,278
Expected return on plan assets	303	322	2,904
Actuarial gains and losses arising during period	742	(107)	(969)
Contributions from employer	1,907	822	7,410
Retirement benefits paid	(1,131)	(414)	(3,736)
Reduction amount associated with transfer of benefit obligation relating to employees' pension fund	-	(7,942)	(71,558)
Effect of exchange rate changes	(22)	3	35
Plan assets at end of period	30,109	22,793	205,363

(3) Reconciliation between net defined benefit liabilities for plans to which simplified method is applied at beginning of period and end of period

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net defined benefit liability at beginning of period	539	617	5,562
Retirement benefit expenses	176	157	1,419
Retirement benefits paid	(53)	(27)	(250)
Contribution to plans	(18)	(9)	(83)
Other	(28)	(6)	(59)
Effect of exchange rate changes	1	(1)	(14)
Net defined benefit liability at end of period	617	729	6,574

(4) Reconciliation between retirement benefit obligation and plan assets at end of period, and defined benefit liability and defined benefit asset for retirement recognized on the consolidated balance sheet

	As of March 31, 2018		As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)	
Retirement benefit obligation for funded plans	28,629	21,858	196,942	
Plan assets	(30,109)	(22,793)	(205,363)	
	(1,479)	(934)	(8,421)	
Retirement benefit obligation for unfunded plans	617	729	6,574	
Net balance of liability and asset recognized on the consolidated balance sheet	(861)	(204)	(1,846)	
Net defined benefit liability	2,918	3,186	28,708	
Net defined benefit asset	(3,780)	(3,391)	(30,554)	
Net balance of liability and asset recognized on the consolidated balance sheet	(861)	(204)	(1,846)	

(5) Retirement benefit expenses and their breakdown

	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)	
Current service costs	1,016	1,046	9,425	
Interest costs	214	158	1,432	
Expected return on plan assets	(303)	(322)	(2,904)	
Amortization of actuarial gains and losses	646	506	4,566	
Amortization of past service costs	(7)	(5)	(49)	
Other	(80)	(96)	(871)	
Retirement benefit expenses applying simplified method	176	157	1,419	
Retirement benefit expenses under defined benefit plans	1,663	1,444	13,018	

(Note) In addition to the above, for the fiscal year ended March 31, 2019, ¥40 million (\$368 thousand) was recorded as loss on revision of retirement benefit plan in extraordinary losses following the revision of the lump-sum retirement benefit plans relating to employees of certain consolidated subsidiaries. For the fiscal year ended March 31, 2019, ¥1,101 million (\$9,923 thousand) in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.

(6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before tax effect) in the consolidated statement of comprehensive income is as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Past service costs	1,878	5	49
Actuarial gains and losses	(6,288)	8	79
Total	(4,409)	14	129

(7) Accumulated remeasurements of defined benefit plans

The breakdown of the amount recognized in accumulated remeasurements of defined benefit plans (before tax effect) on the consolidated balance sheet is as follows:

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized past service costs	(179)	(173)	(1,563)
Unrecognized actuarial gains and losses	5,162	5,189	46,756
Total	4,983	5,015	45,193

(8) Plan assets

1) Breakdown of plan assets

Percentage of each main category to total plan assets is as follows:

	As of March 31, 2018	As of March 31, 2019	
Bonds		27%	36%
Securities		14%	20%
Cash and deposits		5%	7%
Alternative investments (Note 1)		17%	24%
Advance payment of the minimum policy reserve		27%	-%
Other		10%	13%
Total (Note 2)		100%	100%

(Notes) 1. Alternative investments mainly consist of investment to hedge funds.

2. Total plan assets include retirement benefit trusts of 6% and 8% that are set up for a corporate pension plan as of March 31, 2018 and 2019, respectively.

2) Determination of expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation, and the current and expected long-term rate of return on various asset categories comprising plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculation

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Discount rate	0.6~0.7%	0.4~0.6%
Long-term expected rate of return	1.5%	1.5%
Expected rate of salary increase	3.0%	3.0%

3. Defined contribution plan

The required contribution to the defined contribution plan amounts to ¥586 million and ¥560 million (\$5,050 thousand) for the fiscal years ended March 31, 2018 and 2019, respectively.

(Tax Effect Accounting)

1. Breakdown of major reason for deferred tax assets and deferred tax liabilities

	As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:			
Net losses carried forward (Note 2)	3,601	4,702	42,364
Allowance for doubtful accounts	480	355	3,200
Provision for bonuses	634	611	5,512
Provision for product warranties	174	451	4,070
Net defined benefit liability	707	867	7,820
Provision and accrual for directors' retirement benefits	259	331	2,989
Loss on valuation of inventories	1,410	1,710	15,410
Research and development expenses	589	744	6,710
Impairment loss	803	672	6,060
Deferred revenue	1,521	744	6,711
Elimination of unrealized income on inventories	145	740	6,670
Other	1,568	3,081	27,760
Total gross deferred tax assets	11,895	15,014	135,280
Valuation allowance for tax losses carried forward (Note 2)	-	(4,199)	(37,837)
Valuation allowance for total amount of deductible temporary differences	-	(3,869)	(34,865)
Valuation allowance (Note 1)	(6,211)	(8,069)	(72,703)
Total deferred tax assets	5,684	6,945	62,577
Deferred tax liabilities:			
Net defined benefit asset	(561)	(462)	(4,170)
Valuation difference on available-for-sale securities	(10,898)	(6,744)	(60,766)
Depreciation	(553)	(585)	(5,279)
Retained earnings of subsidiaries and associates	(607)	(1,433)	(12,915)
Other	(155)	(206)	(1,864)
Total deferred tax liabilities	(12,775)	(9,433)	(84,997)
Net deferred tax assets (liabilities)	(7,091)	(2,488)	(22,419)

(Notes) 1. Valuation allowance increased by ¥1,858 million (\$16,742 thousand). The main reason for this change was an increase in valuation allowance for tax losses carried forward of consolidated subsidiaries.

2. The amounts of tax losses carried forward and deferred tax assets by carry-forward period are as follows:

As of March 31, 2019

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*1)	36	164	113	410	126	3,851	4,702
Valuation allowance	8	86	113	410	126	3,454	4,199
Deferred tax assets	27	78	-	-	-	396	502

As of March 31, 2019

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Tax losses carried forward (*1)	324	1,483	1,021	3,699	1,136	34,698	42,364
Valuation allowance	76	781	1,021	3,699	1,136	31,122	37,837
Deferred tax assets	248	702	-	-	-	3,575	4,526

(*1) The amounts of tax losses carried forward are multiplied by the statutory tax rate.

2. Reconciliation of significant difference between statutory tax rate and effective tax rate after application of tax effect accounting

	As of March 31, 2018	As of March 31, 2019
Statutory tax rate	30.9%	30.6%
Reconciliation:		
Increase (decrease) in valuation allowance for deferred tax assets	6.6	7.0
Non-taxable income for income tax purposes (e.g. dividend income)	(0.6)	(0.7)
Non-deductible expenses for income tax purposes (e.g. entertainment expenses)	0.7	0.6
Tax deductions related to R&D activities	(2.1)	(2.5)
Different tax rates applied to consolidated subsidiaries	(2.0)	(1.5)
Amortization of goodwill	1.7	1.5
Share of profit (loss) of entities accounted for using equity method	(0.0)	0.0
Retained earnings of subsidiaries and associates	10.5	3.8
Decrease of deferred tax assets at fiscal year-end by the change of tax rate	3.7	0.9
Transfer pricing taxation-related	-	4.2
Other	0.4	1.0
Effective tax rate after application of tax effect accounting	49.7	44.8

(Segment Information, etc.)

Segment information

1. Summary of reportable segments

The Company defines a reportable segment as a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess its business performance and make decisions about resources to be allocated to the segment.

The Company has a division system based on product type and similarity in sales market, etc., and each division develops and implements comprehensive domestic and overseas strategies for its development, manufacturing and sales of products and service, and engages in its business activities globally.

Thus, reportable segments of the Company are divided into two categories based on product type and sales market.

“Light sources business” conducts manufacturing and sales of halogen lamps and discharge lamps, etc.

“Equipment business” conducts manufacturing and sales of optical equipment and visual image equipment, etc.

2. Methods of determining the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting policies for business segment reported are generally consistent with those given in “Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements.”

Segment profit presents the operating profit of the segment.

Intersegment sales and transfers are recognized based on the market price.

3. Information about net sales, segment profit or loss, assets, liabilities and other items by reportable segment
Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment			Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Equipment business	Total				
Net sales							
Sales to external customers	72,412	97,656	170,068	3,428	173,497	-	173,497
Intersegment sales or transfers	1,891	60	1,951	35	1,987	(1,987)	-
Total	74,303	97,716	172,020	3,464	175,485	(1,987)	173,497
Segment profit (loss)	10,402	(509)	9,893	129	10,022	129	10,151
Segment assets	108,860	112,030	220,891	46,953	267,845	37,458	305,303
Other items:							
Depreciation	3,128	3,613	6,741	48	6,790	-	6,790
Amortization of goodwill	540	787	1,327	-	1,327	-	1,327
Investment in associates under equity method	-	30	30	-	30	-	30
Increase in property, plant and equipment and intangible assets (Note 4)	2,329	1,973	4,302	955	5,258	-	5,258

(Notes) 1. “Other businesses” represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥129 million, include elimination of intersegment transactions totaling ¥163 million.

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥37,458 million, include

elimination of intersegment receivables and payables totaling ¥(12,762) million and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥50,527 million that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.
4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment			Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Equipme nt business	Total				
Net sales							
Sales to external customers	67,193	94,641	161,834	3,303	165,138	-	165,138
Intersegment sales or transfers	653	63	716	52	769	(769)	-
Total	67,847	94,704	162,551	3,355	165,907	(769)	165,138
Segment profit (loss)	8,367	(300)	8,067	100	8,168	349	8,517
Segment assets	111,089	125,052	236,141	46,728	282,869	23,758	306,628
Other items:							
Depreciation	3,121	3,615	6,737	38	6,775	-	6,775
Amortization of goodwill	423	712	1,135	-	1,135	-	1,135
Investment in associates under equity method	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets(Note 4)	2,508	4,518	7,026	1,435	8,462	-	8,462

Fiscal year ended March 31, 2019

(Thousands of U.S. dollars)

	Reportable segment			Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Equipme nt business	Total				
Net sales							
Sales to external customers	605,403	852,699	1,458,103	29,760	1,487,864	-	1,487,864
Intersegment sales or transfers	5,887	570	6,457	471	6,929	(6,929)	-
Total	611,291	853,269	1,464,561	30,232	1,494,793	(6,929)	1,487,864
Segment profit (loss)	75,391	(2,704)	72,687	905	73,593	3,152	76,745
Segment assets	1,000,893	1,126,700	2,127,593	421,012	2,548,605	214,061	2,762,666
Other items:							
Depreciation	28,121	32,578	60,699	350	61,050	-	61,050
Amortization of goodwill	3,812	6,420	10,233	-	10,233	-	10,233
Investment in associates under equity method	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets(Note 4)	22,596	40,710	63,307	12,937	76,245	-	76,245

- (Notes) 1. "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.
2. Adjustments are as follows:
- (1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥349 million (\$3,152 thousand), include elimination of intersegment transactions totaling ¥165 million (\$1,486 thousand).
- (2) Eliminations or unallocated amounts of segment assets, amounting to ¥23,758 million (\$214,061 thousand), include elimination of intersegment receivables and payables totaling ¥(8,435) million (\$ (76,002) thousand) and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥32,354 million (\$291,511 thousand) that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.
3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.
4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Related information

Fiscal year ended March 31, 2018

1. Information by product and service

Information by product and service has been omitted as the similar information is disclosed in the segment information.

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
35,879	44,837	3,041	17,930	41,806	27,779	2,221	173,497

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

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
26,954	7,240	2,637	1,469	3,253	21	41,578

3. Information by significant customer

Information by significant customer has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2019

1. Information by product and service

Information by product and service has been omitted as the similar information is disclosed in the segment information.

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
36,229	38,681	2,166	16,148	42,065	28,058	1,787	165,138

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
326,424	348,514	19,521	145,496	379,005	252,798	16,104	1,487,864

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

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
28,454	7,369	2,650	1,329	3,234	13	43,050

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
256,365	66,395	23,877	11,979	29,142	119	387,880

3. Information by significant customer

Information by significant customer has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Information on impairment loss on non-current assets by reportable segment

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment			Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Equipment business	Total			
Impairment loss	1,267	607	1,875	-	-	1,875

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment			Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Equipment business	Total			
Impairment loss	46	983	1,029	-	-	1,029

Fiscal year ended March 31, 2019

(Thousands of U.S. dollars)

	Reportable segment			Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Equipment business	Total			
Impairment loss	417	8,862	9,280	-	-	9,280

(Note) Of the impairment losses relating to the equipment business segment, ¥888 million (\$8,008 thousand) was recorded in the consolidated statement of income as part of business structure improvement expenses.

Information on amortization and unamortized balance of goodwill by reportable segment
Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable segment			Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Equipment business	Total			
Amortized for the year	540	787	1,327	-	-	1,327
Balance	955	1,403	2,358	-	-	2,358

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segment			Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Equipment business	Total			
Amortized for the year	423	712	1,135	-	-	1,135
Balance	630	740	1,370	-	-	1,370

Fiscal year ended March 31, 2019

(Thousands of U.S. dollars)

	Reportable segment			Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Equipment business	Total			
Amortized for the year	3,812	6,420	10,233	-	-	10,233
Balance	5,681	6,669	12,351	-	-	12,351

Information on gain on negative goodwill by reportable segment
Fiscal year ended March 31, 2018

Not applicable.

Fiscal year ended March 31, 2019

Not applicable.

Related party information

Fiscal year ended March 31, 2018

1. Related party transactions

Not applicable.

2. Information on the parent company and major associates

Not applicable.

Fiscal year ended March 31, 2019

1. Related party transactions

Not applicable.

2. Information on the parent company and major associates

Not applicable.

(Per Share Information)

Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019		
Net assets per share ¥1,683.42	Net assets per share ¥1,691.45	Net assets per share \$15.23	
Basic earnings per share ¥86.11	Basic earnings per share ¥88.85	Basic earnings per share \$0.80	
Diluted earnings per share is not presented since no potential shares exist.	Diluted earnings per share is not presented since no potential shares exist.	Diluted earnings per share is not presented since no potential shares exist.	

(Notes) 1. The basis used for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit attributable to owners of the parent	11,001	11,326	102,045
Profit not attributable to common shareholders	-	-	-
Profit attributable to owners of the parent attributable to common shares	11,001	11,326	102,045
Average number of common shares outstanding during the year (Shares)	127,762,858	127,466,615	127,466,615

2. The Company's shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders' equity which are deducted from the total number of shares issued at the balance sheet date for the purpose of calculating net assets per share (292,700 shares and 352,300 shares as of March 31, 2018 and 2019, respectively).

The Company's shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders' equity which are deducted from the weighted-average number of shares outstanding during the year for the purpose of calculating the basic earnings per share (294,522 shares and 328,775 shares for the fiscal years ended March 31, 2018 and 2019, respectively).

(Subsequent Events)

Purchase of treasury shares

In accordance with the resolution by the Board of Directors meeting held on December 20, 2018 to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, paragraph 3 of the Companies Act, the Company has made the purchase of treasury shares as follows:

(1) Reason for purchase of treasury shares

To raise capital efficiency and enable the implementation of flexible capital policy.

(2) Details of purchase

- Type of shares to be purchased: Common shares of the Company
- Total number of shares to be purchased: 8,000,000 shares (maximum)
- Total amount of shares to be purchased: ¥10,000,000,000 (\$90,098 thousand)
(maximum)
- Purchase period: December 21, 2018 to December 20, 2019

(3) Results of purchase

1) Details of treasury shares purchased on or before March 31, 2019

- Type of shares purchased: Common shares of the Company
- Total number of shares purchased: 1,712,000 shares
- Total amount of shares purchased: ¥2,160,448,400 (\$19,465 thousand)
- Purchase period: December 21, 2018 to March 31, 2019
- Purchasing method: Market purchase on the Tokyo Stock Exchange

2) Details of treasury shares purchased on or after April 1, 2019

- Type of shares purchased: Common shares of the Company
- Total number of shares purchased: 1,249,600 shares
- Total amount of shares purchased: ¥1,700,301,400 (\$15,319 thousand)
- Purchase period: April 1, 2019 to May 31, 2019
- Purchasing method: Market purchase on the Tokyo Stock Exchange

5) Annexed Consolidated Detailed Schedules

Annexed detailed schedule of corporate bonds

Not applicable.

Annexed detailed schedule of borrowings

Classification	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Balance at beginning of current period (Thousands of U.S. dollars)	Balance at end of current period (Thousands of U.S. dollars)	Average interest rate (%)	Repayment term
Short-term loans payable	6,950	10,008	62,619	90,177	2.4	-
Current portion of long-term loans payable	1,884	8,520	16,983	76,765	1.6	-
Current portion of lease obligations	4	91	41	824	0.0	-
Long-term loans payable (excluding current portion)	17,989	10,410	162,077	93,796	1.9	From 2020 to 2023
Lease obligations (excluding current portion)	0	166	2	1,502	0.0	From 2020 to 2024
Total	26,828	29,197	241,723	263,065	-	-

(Notes) 1. The average interest rate represents the weighted-average interest rate over the year-end balance of loans.

2. The average interest rates on lease obligations are omitted for lease obligations which are recorded in the consolidated balance sheet at the amount before deducting interest equivalents included in the total lease payment and only those for which the standard method is applied are shown.

3. The redemption schedule for long-term loans payable and lease obligations (excluding current portions) for the five years after the consolidated balance sheet date is as follows:

	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Long-term loans payable	6,137	3,828	20	424
Lease obligations	91	65	7	1

	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)
Long-term loans payable	55,299	34,496	180	3,820
Lease obligations	822	591	71	17

Annexed detailed schedule of asset retirement obligations

Information is omitted because the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amounts of liabilities and net assets at the beginning and the end of the current fiscal year, in accordance with the provision under Article 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2019

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2019
Net sales (Millions of yen)	39,951	82,603	122,394	165,138
Profit before income taxes (Millions of yen)	3,268	5,623	9,202	20,390
Profit attributable to owners of the parent (Millions of yen)	2,257	3,508	5,675	11,326
Basic earnings per share (Yen)	17.67	27.46	44.43	88.85

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	17.67	9.79	16.97	44.54

Quarterly information for the fiscal year ended March 31, 2019

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2019
Net sales (Thousands of U.S. dollars)	359,952	744,240	1,102,751	1,487,864
Profit before income taxes (Thousands of U.S. dollars)	29,446	50,664	82,911	183,710
Profit attributable to owners of the parent (Thousands of U.S. dollars)	20,341	31,610	51,136	102,045
Basic earnings per share (U.S. dollars)	0.15	0.24	0.40	0.80

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. dollars)	0.15	0.08	0.15	0.40