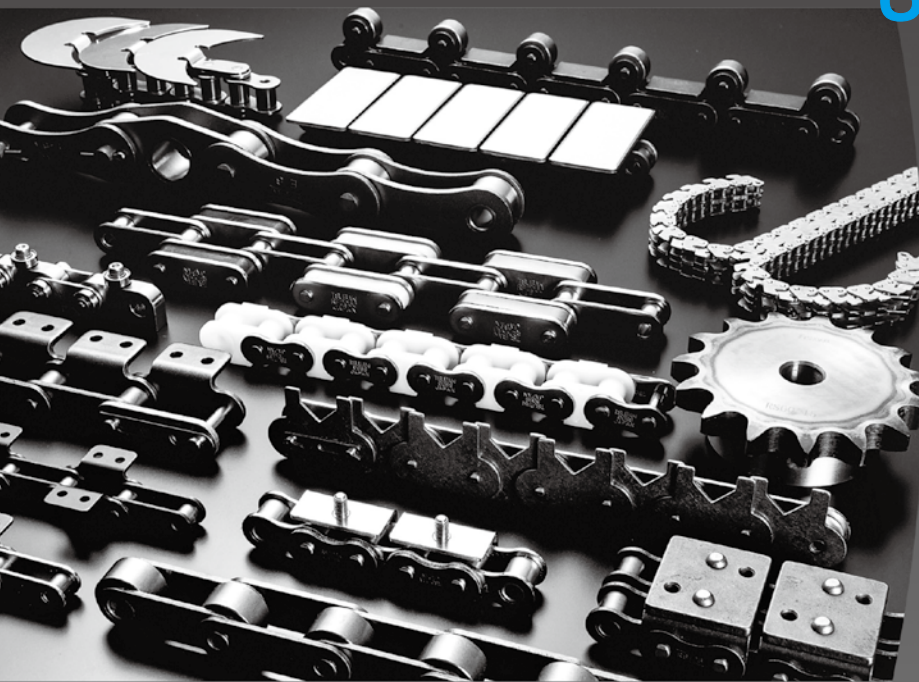
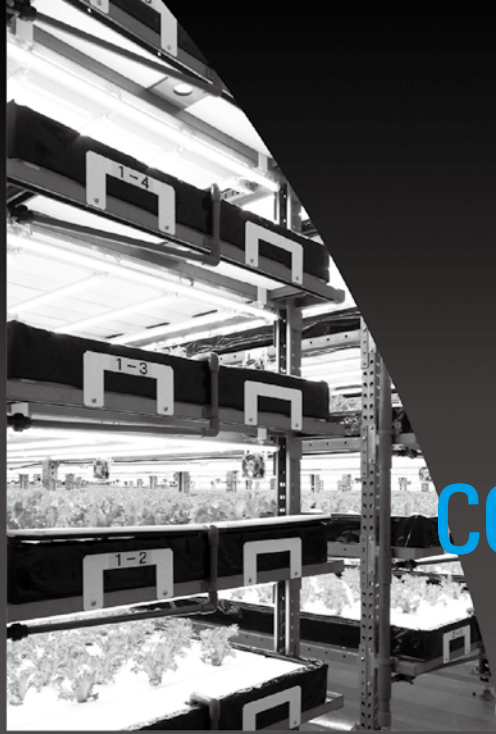


TSUBAKIMOTO CHAIN CO.
and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2019
with Independent Auditor's Report



Consolidated Balance Sheet

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2019

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current assets:			
Cash and deposits (Notes 5 and 19)	¥ 33,647	¥ 29,590	\$ 303,132
Short-term investments (Notes 5, 6 and 19)	4,114	4,646	37,065
Trade notes and accounts receivable (Note 5)	46,721	42,586	420,918
Electronically recorded monetary claims (Notes 5 and 11)	13,085	13,026	117,885
Inventories (Note 7)	41,884	37,676	377,338
Other current assets	4,892	5,024	44,080
Allowance for doubtful accounts (Note 5)	(397)	(406)	(3,579)
Total current assets	143,949	132,144	1,296,841
Property, plant and equipment, at cost:			
Land (Notes 8 and 12)	37,554	37,358	338,324
Buildings and structures (Notes 8, 16 and 17)	72,648	69,614	654,494
Machinery, equipment and vehicles (Notes 16 and 17)	126,025	119,276	1,135,364
Tools, furniture and fixtures (Notes 16 and 17)	27,585	26,596	248,517
Construction in progress	7,050	8,496	63,516
Subtotal	270,864	261,342	2,440,216
Less accumulated depreciation	(153,917)	(148,057)	(1,386,647)
Property, plant and equipment, net (Note 24)	116,946	113,285	1,053,569
Investments and other assets:			
Investments in securities (Notes 5 and 6)	22,982	26,150	207,051
Investments in unconsolidated subsidiaries and an affiliate	3,486	3,403	31,405
Long-term loans receivable	11	14	104
Deferred tax assets (Notes 4 and 9)	2,071	1,985	18,664
Goodwill (Notes 16 and 24)	3,387	153	30,519
Intangible assets (Note 16)	9,399	2,815	84,681
Other assets	3,804	3,744	34,277
Allowance for doubtful accounts	(123)	(123)	(1,112)
Total investments and other assets	45,020	38,144	405,591
Total assets (Notes 4 and 24)	¥ 305,916	¥ 283,574	\$2,756,002

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and net assets	2019	2018	2019
Current liabilities:			
Short-term loans (Notes 5 and 8)	¥ 12,708	¥ 11,216	\$ 114,488
Current portion of long-term debt and finance lease obligations (Notes 5 and 8)	10,210	154	91,988
Trade notes and accounts payable (Note 5)	20,289	23,227	182,788
Electronically recorded obligations (Note 5)	15,842	13,751	142,729
Income taxes payable (Note 9)	2,269	3,239	20,442
Accrued bonuses to employees	4,307	4,082	38,806
Accrued expenses	5,228	3,574	47,107
Provision for loss on construction contracts (Note 14)	106	51	957
Other current liabilities	11,655	11,497	105,000
Total current liabilities	82,617	70,796	744,305
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 5 and 8)	21,230	15,402	191,261
Long-term accounts payable	47	54	430
Liability for retirement benefits (Note 10)	13,872	13,621	124,975
Provision for retirement benefits for directors and Audit & Supervisory Board members	106	101	960
Deferred tax liabilities (Notes 4 and 9)	6,338	7,491	57,103
Deferred tax liabilities on land revaluation (Note 12)	5,001	5,001	45,056
Asset retirement obligations	422	425	3,808
Other long-term liabilities	824	915	7,429
Total long-term liabilities	47,844	43,012	431,027
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 13):			
Common stock:			
Authorized —59,800,000 shares in 2019 and 299,000,000 in 2018			
Issued —38,281,393 shares in 2019 191,406,969 shares in 2018	17,076	17,076	153,843
Capital surplus	13,559	13,559	122,158
Retained earnings (Note 25)	142,442	133,394	1,283,264
Treasury stock, at cost:			
431,255 shares in 2019 and 2,139,235 shares in 2018	(1,047)	(1,032)	(9,440)
Total shareholders' equity	172,030	162,998	1,549,826
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 6)	9,824	12,168	88,507
Net unrealized deferred (loss) gain on derivative instruments (Note 21)	(11)	47	(103)
Net unrealized loss on land revaluation (Note 12)	(10,614)	(10,614)	(95,624)
Translation adjustments	3,285	4,234	29,603
Retirement benefits liability adjustments (Note 10)	(780)	(916)	(7,035)
Total accumulated other comprehensive income	1,703	4,918	15,347
Non-controlling interests	1,720	1,848	15,496
Total net assets	175,454	169,765	1,580,669
Total liabilities and net assets	¥305,916	¥283,574	\$2,756,002

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales (Note 24)	¥238,515	¥215,716	\$2,148,786
Cost of sales (Notes 14 and 15)	171,958	152,629	1,549,179
Gross profit	66,556	63,087	599,606
Selling, general and administrative expenses (Note 15)	44,767	42,392	403,308
Operating income (Note 24)	21,789	20,694	196,298
Other income (expenses):			
Interest and dividend income	1,002	899	9,027
Interest expense	(364)	(267)	(3,279)
Equity in earnings of an affiliate	27	5	245
Foreign exchange (loss) gain, net	(305)	51	(2,752)
Loss on sales or disposal of property, plant and equipment, net	(154)	(92)	(1,389)
Loss on impairment of fixed assets (Notes 16 and 24)	(2,193)	—	(19,762)
Loss on devaluation of investments in unconsolidated subsidiaries (Note 5)	—	(281)	—
Loss on business restructuring (Notes 17 and 24)	—	(297)	—
Settlement package	(443)	—	(3,997)
Other, net (Note 6)	75	451	679
Profit before income taxes	19,432	21,164	175,069
Income taxes (Note 9):			
Current	6,070	6,612	54,686
Deferred	(492)	(189)	(4,437)
	5,577	6,422	50,248
Profit	13,855	14,741	124,820
Profit attributable to:			
Non-controlling interests	75	75	682
Owners of parent (Note 22)	¥ 13,779	¥ 14,666	\$ 124,137

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥13,855	¥14,741	\$124,820
Other comprehensive income (loss):			
Net unrealized holding (loss) gain on securities	(2,343)	2,473	(21,114)
Net unrealized deferred (loss) gain on derivative instruments	(58)	25	(527)
Translation adjustments	(1,045)	569	(9,417)
Retirement benefits liability adjustments	135	136	1,219
Share of other comprehensive (loss) income of an affiliate accounted for by the equity method	(22)	10	(202)
Total other comprehensive (loss) income, net (Note 18)	(3,334)	3,215	(30,042)
Comprehensive income	¥10,520	¥17,957	\$ 94,777
Comprehensive income attributable to:			
Owners of parent	¥10,564	¥17,827	\$ 95,173
Non-controlling interests	(43)	130	(395)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2019

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred (loss) gain on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments (Note 10)	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥17,076	¥12,661	¥123,063	¥(2,086)	¥ 9,694	¥ 21	¥(10,614)	¥3,709	¥(1,053)	¥ 3,744	¥156,218
Cash dividends paid	—	—	(4,544)	—	—	—	—	—	—	—	(4,544)
Profit attributable to owners of parent for the year	—	—	14,666	—	—	—	—	—	—	—	14,666
Purchases of treasury stock	—	—	—	(11)	—	—	—	—	—	—	(11)
Disposal of treasury stock	—	0	—	0	—	—	—	—	—	—	0
Increase resulting from share exchange	—	993	—	1,064	—	—	—	—	—	—	2,058
Increase resulting from initial consolidation of subsidiary	—	—	209	—	—	—	—	—	—	—	209
Changes by purchase of shares of consolidated subsidiaries	—	(96)	—	—	—	—	—	—	—	—	(96)
Other net changes during the year	—	—	—	—	2,473	25	—	524	136	(1,895)	1,264
Balance at April 1, 2018	¥17,076	¥13,559	¥133,394	¥(1,032)	¥12,168	¥ 47	¥(10,614)	¥4,234	¥ (916)	¥ 1,848	¥169,765
Cash dividends paid	—	—	(4,731)	—	—	—	—	—	—	—	(4,731)
Profit attributable to owners of parent for the year	—	—	13,779	—	—	—	—	—	—	—	13,779
Purchases of treasury stock	—	—	—	(15)	—	—	—	—	—	—	(15)
Disposal of treasury stock	—	0	—	0	—	—	—	—	—	—	0
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	(2,343)	(58)	—	(948)	135	(128)	(3,343)
Balance at March 31, 2019	¥17,076	¥13,559	¥142,442	¥(1,047)	¥ 9,824	¥(11)	¥(10,614)	¥3,285	¥ (780)	¥ 1,720	¥175,454

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized deferred (loss) gain on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Retirement benefits liability adjustments (Note 10)	Non-controlling interests	Total net assets
Balance at April 1, 2018	\$153,843	\$122,156	\$1,201,754	\$(9,303)	\$109,622	\$ 423	\$(95,624)	\$38,146	\$(8,255)	\$16,652	\$1,529,415
Cash dividends paid	—	—	(42,627)	—	—	—	—	—	—	—	(42,627)
Profit attributable to owners of parent for the year	—	—	124,137	—	—	—	—	—	—	—	124,137
Purchases of treasury stock	—	—	—	(140)	—	—	—	—	—	—	(140)
Disposal of treasury stock	—	2	—	2	—	—	—	—	—	—	2
Increase resulting from share exchange	—	—	—	—	—	—	—	—	—	—	—
Increase resulting from initial consolidation of subsidiary	—	—	—	—	—	—	—	—	—	—	—
Changes by purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other net changes during the year	—	—	—	—	(21,114)	(527)	—	(8,543)	1,220	(1,156)	(30,120)
Balance at March 31, 2019	\$153,843	\$122,158	\$1,283,264	\$(9,440)	\$ 88,507	\$(103)	\$(95,624)	\$29,603	\$(7,035)	\$15,496	\$1,580,669

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 19,432	¥ 21,164	\$ 175,069
Adjustments for:			
Depreciation and amortization	12,366	11,005	111,408
Loss on impairment of fixed assets	2,193	—	19,762
Restructuring loss	—	167	—
Amortization of goodwill	478	400	4,313
Loss on sales or disposal of property, plant and equipment, net	154	92	1,389
Loss on devaluation of investments in unconsolidated subsidiaries	—	281	—
Gain on sales of investments in securities	—	(0)	—
(Decrease) increase in allowance for doubtful accounts	(7)	57	(70)
Increase in liability for retirement benefits	458	398	4,132
Decrease (increase) in trade notes and accounts receivable	2,340	(4,642)	21,089
Increase in inventories	(4,664)	(3,486)	(42,026)
(Decrease) increase in trade notes and accounts payable	(3,523)	8,848	(31,740)
Other, net	1,640	(619)	14,779
Subtotal	30,869	33,667	278,106
Interest and dividends received	1,028	916	9,262
Interest paid	(345)	(262)	(3,114)
Income taxes paid	(7,354)	(6,664)	(66,254)
Net cash provided by operating activities	24,197	27,657	217,999
Cash flows from investing activities:			
Increase (decrease) in time deposits, net	425	(1,857)	3,829
Purchases of investments in securities	(212)	(11)	(1,916)
Proceeds from sales and redemption of investments in securities	328	0	2,956
Payments for acquisition of capital of subsidiary resulting in change in scope of consolidation (Note 19)	(15,457)	—	(139,253)
Purchases of shares of subsidiaries	—	(141)	—
Payment for investments in unconsolidated subsidiaries and an affiliate	(177)	—	(1,600)
Proceeds from liquidation of subsidiaries	78	—	704
Decrease in short-term loans receivable, net	0	2	3
Decrease (increase) in long-term loans receivable, net	1	(0)	13
Purchases of property, plant and equipment	(17,273)	(15,542)	(155,612)
Proceeds from sales of property, plant and equipment	198	167	1,789
Payments for asset retirement obligations	—	(5)	—
Net cash provided by (used in) investing activities	(32,088)	(17,389)	(289,086)
Cash flows from financing activities:			
Increase in short-term loans, net	1,813	1,042	16,335
Proceeds from long-term loans	1,274	1,022	11,477
Repayment of long-term loans	(407)	(10,432)	(3,667)
Proceeds from issuance of bonds	14,913	—	134,353
Repayment of finance lease obligations	(76)	(203)	(689)
Repayment of installment payables	(5)	—	(53)
Cash dividends paid	(4,731)	(4,544)	(42,627)
Cash dividends paid to non-controlling interests	(84)	(64)	(761)
Purchases of treasury stock	(15)	(11)	(140)
Sales of treasury stock	0	0	5
Net cash provided by (used in) financing activities	12,679	(13,191)	114,233
Effect of exchange rate changes on cash and cash equivalents	(414)	374	(3,737)
Net increase (decrease) in cash and cash equivalents	4,374	(2,548)	39,408
Cash and cash equivalents at beginning of the year	31,712	34,142	285,702
Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	—	118	—
Cash and cash equivalents at end of the year (Note 19)	¥ 36,087	¥ 31,712	\$ 325,111

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2019

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥111.00 = U.S. \$1.00, the exchange rate prevailing on March 31, 2019. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements both in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All material intercompany balances and transactions have been eliminated in consolidation.

The balance sheet dates of certain consolidated subsidiaries are December 31 or January 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the periods from January 1 or February 1 through March 31 have been adjusted, if necessary. For one overseas consolidated subsidiary whose fiscal year-end is December 31, for consolidation purposes, the financial statements are prepared as of and for the year ended March 31.

The number of consolidated subsidiaries and an affiliate accounted for by the equity method for the years ended March 31, 2019 and 2018 is summarized below:

	2019	2018
Domestic subsidiaries	8	8
Overseas subsidiaries	56	51
Overseas affiliate	1	1

(b) Cash and cash equivalents

For the preparation of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(d) Investments in securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

All securities held by the Company and its consolidated subsidiaries are classified as "other securities" and have been accounted for as outlined above.

(e) Derivatives and hedging activities

Derivatives are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt ("special treatment"). Receivables, payables and loans hedged by forward foreign exchange contracts which meet certain conditions are accounted for by the allocation method. Under the allocation method, such receivables, payables and loans denominated in foreign currencies are translated at the corresponding contract rates.

The hedge effectiveness of derivative transactions is assessed by comparing the cumulative changes in cash flows or fair values of the underlying hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an assessment of hedge effectiveness is omitted for forward foreign exchange contracts meeting certain conditions for applying the allocation method and interest-rate swaps meeting certain conditions for applying the special treatment.

(f) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the first-in, first-out method, the individual identification method or the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market.

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

Property, plant and equipment are stated at cost. The Company and its domestic consolidated subsidiaries mainly calculate depreciation by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than structures attached to the buildings) and structures attached to buildings and other structures acquired on or after April 1, 2017. The foreign consolidated subsidiaries mainly calculate depreciation by the straight-line method over the estimated useful lives of the respective assets.

The principal estimated useful lives are summarized as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 13 years

(h) Goodwill

Goodwill is amortized primarily over a period of 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Leases

For lease transactions involving the transfer of ownership, leased assets are depreciated by the same depreciation method applied to property, plant and equipment owned by the lessee.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over their lease term using the straight-line method with a residual value of zero.

(j) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Accrued bonuses to employees

Accrued bonuses to employees are provided based on the estimated amount of bonuses to be paid to employees which are charged to income in the current year.

(l) Provision for retirement benefits for directors and Audit & Supervisory Board members

Directors and Audit & Supervisory Board members of domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. Provision for retirement benefits for directors and Audit & Supervisory Board members have been made at an estimated amount based on the internal rules.

(m) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for anticipated future losses on outstanding projects if such future loss on construction projects is anticipated at the year end and the loss amount can be reasonably estimated.

(n) Retirement benefits to employees

The liability for retirement benefits to employees is recorded based on the retirement benefit obligation less the fair value of the pension plan assets. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

Actuarial differences are amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period which is shorter than the average estimated remaining years of service of the eligible employees (10 years).

As permitted under the accounting standard for retirement benefits, certain domestic subsidiaries calculate their retirement benefit obligation for their employees by the simplified method. Under the simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet dates.

(o) Recognition of contract revenue and cost

The Company and its consolidated subsidiaries recognize revenue by applying the percentage-of-completion method for the construction projects for which the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction projects, the Company and its consolidated subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). For other construction projects where the outcome cannot be reliably measured, the completed-contract method is applied.

(p) Intangible assets and research and development costs

Amortization of intangible assets other than software capitalized is calculated by the straight-line method over the estimated useful lives of the respective assets.

Research and development costs are charged to income when incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives (5 years).

(q) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests, net unrealized holding gain on securities, and net unrealized deferred gain on derivative instruments are translated at their historical exchange rates. Revenue and expense accounts of the overseas consolidated subsidiaries are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of profit but are reported as "Translation adjustments" as a component of accumulated other comprehensive income (loss) and as "Non-controlling interests" in the accompanying consolidated balance sheet.

(r) Distribution of retained earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such distributions. Please refer to "Distribution of retained earnings" in Note 25.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE **Accounting Standard and Implementation Guidance for Revenue Recognition**

On March 30, 2018, the Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(a) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue recognition.

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

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the adoption of accounting standard and implementation guidance

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

4. CHANGE IN PRESENTATION METHODS

Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) (hereinafter, the "Partial Amendments") from the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

As a result, deferred tax assets under current assets decreased ¥2,829 million and deferred tax assets under investments and other assets increased ¥452 million in the consolidated balance sheet as of March 31, 2018. In addition, deferred tax liabilities under long-term liabilities decreased ¥2,377 million.

Deferred tax assets and deferred tax liabilities relating to the same taxation authority were offset against each other, and total assets decreased ¥2,377 million compared to the balance prior to this change.

Also, Note 9 "Income Taxes" in the notes to the consolidated financial statements has been expanded in accordance with Note 8 and Note 9 of Interpretive Notes to Accounting Standard for Tax Effect Accounting. However, comparative information for the year ended March 31, 2018 has not been disclosed in Note 9 in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

5. FINANCIAL INSTRUMENTS

(1) Overview

(a) Policy for financial instruments

The Company and its consolidated subsidiaries obtain necessary funding principally by bank borrowings and bonds issuance. Temporary surplus funds are managed through low-risk financial assets. Derivatives are utilized for mitigating fluctuation risks of foreign currency exchange rates or interest rates, and not utilized for speculative purposes.

(b) Types of financial instruments and related risk

Trade notes and accounts receivable and electronically recorded monetary claims are exposed to the credit risk of customers. The Company and its consolidated subsidiaries conduct their business globally and the trade receivables denominated in foreign currencies incurred from export transactions are exposed to the fluctuation risk of foreign currencies. This risk is mitigated by utilizing forward foreign exchange contracts.

Securities are mainly composed of stocks of the companies with which the Group has business relationships or capital alliances and they are exposed to fluctuation risk of market prices.

The credit risk of held-to-maturity debt securities is minimal since such investments are principal-guarantee securities or securities with high credit ratings.

Almost all trade payables, notes, accounts payable and electronically recorded obligations are due within one year. Certain trade payables resulting from import transactions are denominated in foreign currencies and the Company and its consolidated subsidiaries utilize forward foreign exchange contracts, as with trade receivables. Loans and bonds are utilized for necessary financing of operating funds and capital expenditures. Certain portions of loans are exposed to the fluctuation risks of foreign currency exchange rates and interest rates because of borrowings in foreign currency and floating interest rates and these risks are hedged by utilizing derivative transactions (interest-rate swap agreements and currency swap agreements).

Derivative transactions are entered into to hedge the foreign currency fluctuation risk of trade receivables, trade payables and debt securities denominated in foreign currencies by utilizing forward foreign exchange contracts, and to hedge interest rate fluctuation risks of certain loans by utilizing interest-rate swap agreements. Refer to (e) "Derivatives and hedging activities" in Note 2 "Summary of Significant Accounting Policies" and Note 21 "Derivatives and Hedging Activities" for information on hedge accounting, such as hedging instruments and hedged items.

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with internal rules of credit management of the Company, each business department manages the collection

due dates and receivable balances of its customers, periodically monitors the financial conditions of customers and tries to identify credit risk of customers with worsening financial conditions at the early stage to mitigate any risk. Consolidated subsidiaries perform similar credit management.

The Company and certain consolidated subsidiaries enter into derivative transactions with financial institutions with high credit ratings to mitigate the risk of credit loss in the event of nonperformance by the counterparties.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates and interest rates)

The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts for hedging currency fluctuation risk arising from trade receivables, trade payables and debt securities denominated in foreign currencies. The Company also utilizes interest-rate swap agreements and currency swap agreements to mitigate interest rate risk and foreign currency exchange risk on debt denominated in foreign currencies.

The Company and its consolidated subsidiaries continuously review securities holdings by monitoring periodically the market value and financial condition of the securities' issuers (companies with business relationships or business alliances with the Company and its consolidated subsidiaries) and by evaluating those relationships.

Each business department determines the amount of each forward foreign exchange contract within the actual underlying transaction amount, and the responsible finance department enters into and manages these forward foreign exchange contracts. The finance department enters into and manages interest-rate swap agreements and currency swap agreements in the course of undertaking borrowing contracts.

(iii) Monitoring of liquidity risk (the risk that the Company and its consolidated subsidiaries may not be able to meet its obligations on scheduled due dates)

The Company and its consolidated subsidiaries manage liquidity risk by preparing cash flow plans on a timely basis and so forth.

(d) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 21 "Derivatives and Hedging Activities" are not necessarily indicative of the actual market risk involved in the derivative transactions.

(2) Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet, fair value and the difference as of March 31, 2019 and 2018, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 on the following page).

	Millions of yen					
	2019			2018		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 33,647	¥ 33,647	¥ —	¥ 29,590	¥ 29,590	¥ —
Trade notes and accounts receivable	46,721	—	—	42,586	—	—
Electronically recorded monetary claims	13,085	—	—	13,026	—	—
Allowance for doubtful accounts*1	(397)	—	—	(406)	—	—
	59,409	59,409	—	55,206	55,206	—
Short-term investments and investments in securities:						
Held-to-maturity debt securities	200	200	(0)	—	—	—
Other securities	26,540	26,540	—	30,440	30,440	—
Total assets	¥119,798	¥119,798	¥ —	¥115,237	¥115,237	¥ —
Liabilities:						
Trade notes and accounts payable	¥ 20,289	¥ 20,289	¥ —	¥ 23,227	¥ 23,227	¥ —
Electronically recorded obligations	15,842	15,842	—	13,751	13,751	—
Short-term loans	12,708	12,708	—	11,216	11,216	—
Long-term debt*2	31,064	31,700	(635)	15,365	15,479	(114)
Total liabilities	¥ 79,905	¥ 80,540	¥(635)	¥ 63,561	¥ 63,675	¥(114)
Derivatives, net*3	¥ 5	¥ 5	¥ —	¥ 128	¥ 128	¥ —

	Thousands of U.S. dollars		
	2019		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	\$ 303,132	\$ 303,132	\$ —
Trade notes and accounts receivable	420,918	—	—
Electronically recorded monetary claims	117,885	—	—
Allowance for doubtful accounts*1	(3,579)	—	—
	535,225	535,225	—
Short-term investments and investments in securities:			
Held-to-maturity debt securities	1,801	1,801	—
Other securities	239,106	239,106	—
Total assets	\$1,079,265	\$1,079,265	\$ —
Liabilities:			
Trade notes and accounts payable	\$ 182,788	\$ 182,788	\$ —
Electronically recorded obligations	142,729	142,729	—
Short-term loans	114,488	114,488	—
Long-term debt*2	279,858	285,587	(5,728)
Total liabilities	\$ 719,865	\$ 725,594	\$(5,728)
Derivatives, net*3	\$ 49	\$ 49	\$ —

*1 Allowance for doubtful accounts on specific bad debts is deducted from "Trade notes, accounts receivable" and "Electronically recorded monetary claims."

*2 Debt consists of loans and bonds. Long-term debt includes the current portion of long-term debt.

*3 Assets and liabilities arising from derivatives are shown at net value, and the amount in parentheses represents a net liability position.

Note 1: Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash and deposits, trade notes and accounts receivable, electronically recorded monetary claims

Since these items are settled in a short time period, their carrying value approximates fair value.

Short-term investments and investments in securities

The fair value of equity securities is based on their quoted market prices. Since certificates of deposit are settled in a short time period, their carrying value approximates fair value.

For information on securities classified by holding purpose, please refer to Note 6 "Short-Term Investments and Investments in Securities" of the notes to the consolidated financial statements.

Liabilities

Trade notes and accounts payable, electronically recorded obligations, short-term loans

Since these items are settled in a short time period, their carrying value approximates fair value.

Long-term debt

The fair value of long-term loans is based on the present value of the total principal and interest discounted by the estimated interest rates to be applied if similar new loans are made.

The fair value of bonds payable is based on present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

Derivative transactions

Please refer to Note 21 "Derivatives and Hedging Activities."

Note 2: Financial instruments for which it is extremely difficult to determine the fair value:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unlisted securities	¥1,709	¥1,711	\$15,398

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

Note 3: The redemption schedule for monetary assets and securities with maturities subsequent to March 31, 2019 and 2018 are as follows:

Millions of yen				
2019				
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	¥33,415	¥ —	¥—	¥—
Trade notes and accounts receivable	46,721	—	—	—
Electronically recorded monetary claims	13,085	—	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (credit-linked bonds)	—	200	—	—
Other securities with maturity dates	—	—	—	—
Debt securities	—	—	—	—
Other	4,114	—	—	—
	¥97,336	¥200	¥—	¥—

Millions of yen				
2018				
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	¥29,547	¥ —	¥—	¥—
Trade notes and accounts receivable	42,586	—	—	—
Electronically recorded monetary claims	13,026	—	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (credit-linked bonds)	—	—	—	—
Other securities with maturity dates	—	—	—	—
Debt securities	317	—	—	—
Other	4,329	—	—	—
	¥89,806	¥—	¥—	¥—

Thousands of U.S. dollars				
2019				
	Due within one year	Due after one year through five years	Due after five years through ten years	Over ten years
Cash and deposits	\$301,036	\$ —	\$—	\$—
Trade notes and accounts receivable	420,918	—	—	—
Electronically recorded monetary claims	117,885	—	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (credit-linked bonds)	—	1,801	—	—
Other securities with maturity dates	—	—	—	—
Debt securities	—	—	—	—
Other	37,065	—	—	—
	\$876,906	\$1,801	\$—	\$—

6. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

(a) Short-term investments and investments in securities with determinable market value classified as held-to-maturity debt securities are as follows:

	2019			2018		
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
Held-to-maturity debt securities whose fair value exceeds their carrying value:	¥200	¥200	¥0	¥ —	¥ —	¥ —
	¥200	¥200	¥0	¥ —	¥ —	¥ —

Thousands of U.S. dollars

	2019		
	Carrying value	Fair value	Unrealized gain
Held-to-maturity debt securities whose fair value exceeds their carrying value:	\$1,802	\$1,802	\$0
	\$1,802	\$1,802	\$0

(b) Short-term investments and investments in securities with determinable market value classified as other securities at March 31, 2019 and 2018 are summarized as follows:

	2019			2018		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥22,347	¥8,290	¥14,057	¥25,722	¥ 8,307	¥17,414
Subtotal	22,347	8,290	14,057	25,722	8,307	17,414
Other securities whose carrying value does not exceed their acquisition costs:						
Equity securities	78	117	(39)	72	88	(16)
Debt securities	—	—	—	317	320	(2)
Other	4,114	4,114	—	4,329	4,329	—
Subtotal	4,192	4,232	(39)	4,718	4,737	(19)
Total	¥26,540	¥12,523	¥14,017	¥30,440	¥13,045	¥17,395

Thousands of U.S. dollars

	2019		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$201,333	\$ 74,692	\$126,640
Subtotal	201,333	74,692	126,640
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	708	1,062	(353)
Debt securities	—	—	—
Other	37,065	37,065	—
Subtotal	37,773	38,127	(353)
Total	\$239,106	\$112,819	\$126,286

(c) Sales of other securities for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sales	¥328	¥0	\$2,956
Gross realized gain	20	0	187
Gross realized loss	11	0	105

7. INVENTORIES

Inventories at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Finished goods	¥18,536	¥17,192	\$166,992
Work in process	13,363	11,207	120,393
Raw materials and supplies	9,984	9,276	89,952
	¥41,884	¥37,676	\$377,338

8. SHORT-TERM LOANS, LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Short-term loans consisted principally of loans from banks and insurance companies at weighted average interest rates of 1.3% and 1.1% at March 31, 2019 and 2018, respectively.

Long-term debt and finance lease obligations at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loans, principally from banks and insurance companies, due through 2024 at an average annual interest rate of 1.9% and 1.8% at March 31, 2019 and 2018, respectively:			
Secured	¥ —	¥ —	\$ —
Unsecured	6,064	5,365	54,633
Straight bonds payable due 2019 at an interest rate of 0.41%	10,000	10,000	90,090
Straight bonds payable due 2025 at an interest rate of 0.30%	5,000	—	45,045
Straight bonds payable due 2028 at an interest rate of 0.52%	10,000	—	90,090
Lease obligations	376	191	3,391
	31,440	15,556	283,250
Less current portion	(10,210)	(154)	(91,988)
Total	¥ 21,230	¥15,402	\$191,261

Other interest-bearing liabilities included in other current liabilities and long-term accounts payable represented installment payables at an average annual interest rate of 2.1% at March 31, 2019.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2019 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥10,210	\$ 91,988
2021	4,249	38,287
2022	58	525
2023	1,287	11,600
2024	52	476
2025 and thereafter	15,581	140,371
Total	¥31,440	\$283,250

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2019 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 6	\$ 57
2021	6	57
2022	6	57
2023	4	38
Total	¥23	\$210

Assets pledged as collateral for short-term loans of ¥65 million (\$585 thousand) and ¥65 million at March 31, 2019 and 2018, respectively, were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings and structures	¥ 452	¥ 483	\$ 4,073
Land	1,242	1,242	11,192
	¥1,694	¥1,726	\$15,266

The Company has concluded line-of-credit agreements with certain banks to achieve efficient financing. The status of these lines of credit at March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lines of credit	¥15,000	¥15,000	\$135,135
Credit utilized	—	—	—
Available credit	¥15,000	¥15,000	\$135,135

9. INCOME TAXES

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.6% and 30.8% for the years ended March 31, 2019 and 2018, respectively.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the statutory tax rates for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Statutory tax rate	30.6%	—
Non-deductible entertainment expenses and others	0.9	—
Non-taxable dividend income and others	(0.5)	—
Inhabitants' per capita taxes	0.3	—
Changes in valuation allowance	0.4	—
Tax exemption regarding investment preferential tax system	(1.3)	—
Tax exemption regarding research and development costs	(1.4)	—
Equity in earnings of affiliates	(0.1)	—
Differences of statutory tax rate in consolidated subsidiaries	(0.5)	—
Other	0.3	—
Effective tax rates	28.7%	—

Note: Disclosure of a reconciliation between the statutory and effective tax rates for the year ended March 31, 2018 has been omitted as such difference was immaterial.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Tax loss carryforwards	¥ 1,531	¥ 968	\$ 13,794
Liability for retirement benefits	4,095	4,035	36,894
Accrued bonuses	931	938	8,392
Inventories	674	644	6,078
Loss on impairment	1,091	526	9,830
Other	4,979	4,323	44,859
Total gross deferred tax assets	13,303	11,437	119,848
Valuation allowance for tax loss carryforwards (Note 2)	(1,234)	—	(11,121)
Valuation allowance for deductible temporary differences	(741)	—	(6,676)
Total valuation allowance (Note 1)	(1,976)	(1,570)	(17,802)
Total deferred tax assets	11,327	9,867	102,046
Deferred tax liabilities:			
Unrealized holding gain on securities	(4,171)	(5,205)	(37,578)
Deferred gain on replacement of property	(4,029)	(4,038)	(36,302)
Undistributed earnings of overseas subsidiaries	(2,516)	(2,405)	(22,668)
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	(1,775)	(1,798)	(15,994)
Other	(3,101)	(1,926)	(27,942)
Total deferred tax liabilities	(15,594)	(15,372)	(140,486)
Net deferred tax liabilities	¥ (4,266)	¥ (5,505)	\$ (38,439)

Notes: 1. The total valuation allowance increased by ¥405 million (\$3,648 thousand). The main reason for the increase was the additional recognition of the valuation allowance for tax loss carryforwards at consolidated subsidiaries.

2. A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2019 is as follows:

Millions of yen							
2019							
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards ^(a)	¥ 112	¥ 240	¥ 183	¥ 111	¥ 122	¥ 760	¥ 1,531
Valuation allowance	(112)	(238)	(183)	(111)	(122)	(465)	(1,234)
Deferred tax assets	¥ —	¥ 1	¥ —	¥ —	¥ —	¥ 294	¥ 296 ^(b)

Thousands of U.S. dollars							
2019							
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards ^(a)	\$ 1,015	\$ 2,167	\$ 1,649	\$ 1,002	\$ 1,105	\$ 6,854	\$ 13,794
Valuation allowance	(1,015)	(2,151)	(1,649)	(1,002)	(1,105)	(4,197)	(11,121)
Deferred tax assets	\$ —	\$ 15	\$ —	\$ —	\$ —	\$ 2,657	\$ 2,672 ^(b)

(a) The tax loss carryforwards in the above table are measured using the statutory tax rates.

(b) Deferred tax assets of ¥296 million (\$2,672 thousand) were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of ¥1,531 million (\$13,794 thousand), whose amount is multiplied by the statutory tax rate. The tax loss carryforwards for which deferred tax assets are recognized were caused by the loss before income taxes in previous years and so on, and based on considerations of the prospect of estimated future taxable income, the Company has determined that the corresponding amounts are recoverable and has not recognized a valuation allowance.

10. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., lump-sum payment plans, defined contribution pension plans and advance payment schemes for retirement benefits. In addition to the retirement benefit plans described above, the Company and its domestic subsidiaries pay additional retirement benefits under certain conditions. Certain consolidated overseas subsidiaries also have defined benefit pension plans and defined contribution pension plans.

As permitted under the accounting standard for retirement benefits, certain domestic consolidated subsidiaries calculate their retirement benefit obligation for their employees by the simplified method.

The changes in the retirement benefit obligation for the years ended March 31, 2019 and 2018 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥13,699	¥13,320	\$123,415
Service cost	719	676	6,478
Interest cost	54	42	494
Actuarial differences	66	67	602
Retirement benefits paid	(636)	(516)	(5,730)
Prior service cost	30	0	270
Other	84	108	764
Balance at the end of the year	¥14,018	¥13,699	\$126,295

The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows (excluding the retirement benefit obligation calculated by the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥1,410	¥1,244	\$12,707
Expected return on plan assets	27	25	250
Actuarial differences	40	34	366
Contributions by the Group	108	106	978
Retirement benefits paid	(53)	(53)	(485)
Other	(33)	52	(297)
Balance at the end of the year	¥1,500	¥1,410	\$13,519

The changes in the liability for retirement benefits calculated by the simplified method for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥1,332	¥1,319	\$12,004
Retirement benefit expenses	144	115	1,305
Retirement benefits paid	(92)	(73)	(833)
Contributions to the plans	(30)	(28)	(277)
Other	—	—	—
Balance at the end of the year	¥1,354	¥1,332	\$12,199

A reconciliation of the ending balance of retirement benefit obligation and plan assets and liability for retirement benefits recorded in the consolidated balance sheets at March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligation	¥ 2,068	¥ 1,916	\$ 18,633
Plan assets at fair value	(1,840)	(1,744)	(16,576)
	228	172	2,056
Unfunded retirement benefit obligation	13,644	13,448	122,919
Net liability for retirement benefits in the balance sheet	13,872	13,621	124,975
Liability for retirement benefit obligation	13,872	13,621	124,975
Net liability for retirement benefits in the balance sheet	¥13,872	¥13,621	\$124,975

The above table includes retirement benefit obligations calculated by the simplified method.

The components of retirement benefit expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 719	¥ 676	\$ 6,478
Interest cost	54	42	494
Expected return on plan assets	(27)	(25)	(250)
Amortization of unrecognized actuarial differences	218	229	1,968
Amortization of unrecognized prior service cost	(7)	0	(65)
Retirement benefit expense calculated by the simplified method	144	115	1,306
Other	47	72	427
Retirement benefit expenses	¥1,149	¥1,111	\$10,358

Retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial differences	¥195	¥197	\$1,756

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial differences	¥1,125	¥1,320	\$10,139

The composition of plan assets by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 is as follows:

	2019	2018
Debt securities	13%	12%
Equity securities	8%	8%
General accounts at life insurance companies	32%	33%
Other	47%	47%
Total	100%	100%

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Discount rates	Principally 0.10%	Principally 0.10%
Expected rate of return on plan assets	Principally 2.0%	Principally 2.0%

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

Total contributions required to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to ¥1,122 million (\$10,111 thousand) and ¥1,077 million for the years ended March 31, 2019 and 2018, respectively.

11. CONTINGENT LIABILITIES

At March 31, 2019 and 2018, the Company and its consolidated subsidiaries were contingently liable for the following items:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Notes receivable discounted	¥ 30	¥ 34	\$ 279
Electronically recorded monetary claims discounted	13	7	117
Guarantees of loans made by employees	21	28	189
Guarantees of loans made by an unconsolidated subsidiaries	382	442	3,445

12. NET UNREALIZED LOSS ON LAND REVALUATION

Effective March 31, 2001, the Company revalued its land held for business use in accordance with the “Law on Land Revaluation.” Differences on land revaluation have been accounted for as “Net unrealized loss on land revaluation” under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluation was in accordance with the “Enforcement Act Concerning Land Revaluation.” The carrying value of this land exceeded its corresponding fair value by ¥11,000 million (\$99,099 thousand) at March 31, 2019 and 2018.

13. SHAREHOLDERS' EQUITY

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The Company's legal reserve amounted to ¥3,376 million (\$30,421 thousand) at March 31, 2019 and 2018.

Movements in issued shares of common stock and treasury stock during the years ended March 31, 2019 and 2018 are summarized as follows:

	Number of shares			
	April 1, 2018	Increase	Decrease	March 31, 2019
Issued shares of common stock	191,406,969	—	153,125,576	38,281,393
Treasury stock	2,139,235	9,064	1,717,044	431,255

Shares of the Company's common stock were consolidated on a one-for-five basis on October 1, 2018 based on the number of shares owned by shareholders who were registered in the final register of shareholders as of September 30, 2018 (effectively September 28, 2018.) Total number of authorized shares after the share consolidation is 59,800,000 shares (299,000,000 shares before the share consolidation).

Decrease in the number of issued shares was due to the share consolidation. Total number of issued shares after the share consolidation is 38,281,393 shares (191,406,969 shares before the share consolidation).

Increase in the number of shares of treasury stock was due to purchases of fractional shares of less than one unit. Decrease in the number of shares of treasury stock was due to share consolidation (1,716,909 shares) and sales of fractional shares of less than one unit (135 shares).

	Number of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Issued shares of common stock	191,406,969	—	—	191,406,969
Treasury stock	4,345,450	12,165	2,218,380	2,139,235

Increase in the number of shares of treasury stock was due to purchases of fractional shares of less than one unit. Decrease in the number of shares of treasury stock was due to assignment of treasury stock by share exchange (2,217,700 shares) and sales of fractional shares of less than one unit (680 shares).

14. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Reversal of and provision for loss on construction contracts included in cost of sales for the years ended March 31, 2019 and 2018 amounted to ¥54 million (\$486 thousand) and ¥(37) million, respectively.

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2019 and 2018 amounted to ¥4,505 million (\$40,592 thousand) and ¥4,495 million, respectively.

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the year ended March 31, 2019, an overseas consolidated subsidiary wrote down the following fixed assets to their respective recoverable values considering the current business environment in China and future business forecasts, such as low profit margins on its chains business. Loss on impairment of fixed assets was recognized in the amount of ¥69 million (\$627 thousand). Assets are grouped principally by each business or each business location.

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
			2019	2019
Tianjin, People's Republic of China	Chain production equipment and other	Buildings and structures	¥ 0	\$ 0
		Machinery, equipment and vehicles	38	342
		Tools, furniture and fixtures	31	279
			¥69	\$627

The recoverable value of the fixed assets was measured at net realizable value mainly using the net selling prices. If a fixed asset cannot be sold or diverted to other usage, such asset is valued at zero.

As for goodwill and trademark rights recorded at the time of acquisition of Central Conveyor Company, LLC, a consolidated subsidiary in the United States, the plan was revised because the actual result was under the original budget at the time of acquisition due to the changes in the market structure. As a result, since the estimated fair value of goodwill and trademark rights was less than its book value, the book value of goodwill and trademark rights was reduced to the recoverable value.

The recoverable value is mainly measured by value in use, which is calculated by discounting future cash flows at a rate of 15.5%.

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
			2019	2019
Michigan, United States of America	Other	Goodwill	¥1,924	\$17,335
		Trademark rights	199	1,798
			¥2,123	\$19,134

The amount of loss on impairment of fixed assets was included in loss on business restructuring in the consolidated statement of income for the year ended March 31, 2018.

17. LOSS ON BUSINESS RESTRUCTURING

Loss on business restructuring was nil for the year ended March 31, 2019.

Restructuring loss consisted of factory restructuring expenses of the Company for the year ended March 31, 2018.

Major factors of the restructuring loss are loss on impairment of property, plant and equipment, dismantling costs and others.

Among them, information on loss on impairment of property, plant and equipment is as follows:

(1) Description of the impaired asset group

Location	Use	Classification
Saitama Prefecture, Japan	Manufacturing facilities for transportation equipment	Buildings and others

(2) Reason to recognize the impairment loss

Due to the decision to dismantle the materials handling systems buildings and structures along with the Company's factory restructuring, the book values of the assets were written down to their respective recoverable amounts.

(3) Impairment loss amount and the breakdown

Classification	Millions of yen	
	2018	
Buildings and structures	¥114	
Machinery, equipment and vehicles	52	
Tools, furniture and fixtures	0	
	¥167	

(4) Method of asset grouping

Assets are grouped principally by each business or each business location.

(5) Calculation method of recoverable amount

The recoverable amount of the asset group was measured by value in use. The amount was not discounted as such effect is immaterial due to the short period until dismantlement.

18. OTHER COMPREHENSIVE (LOSS) INCOME

Reclassification adjustments and tax effects on components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	¥(3,360)	¥ 3,564	\$(30,270)
Reclassification adjustments	(17)	—	(158)
Before tax effect	(3,377)	3,564	(30,428)
Tax effect	1,033	(1,091)	9,314
Net unrealized holding (loss) gain on securities	(2,343)	2,473	(21,114)
Net unrealized deferred (loss) gain on derivative instruments:			
Amount arising during the year	(92)	36	(833)
Reclassification adjustments	8	—	(73)
Before tax effect	(84)	36	(760)
Tax effect	25	(11)	233
Net unrealized deferred (loss) gain on derivative instruments	(58)	25	(527)
Translation adjustments:			
Amount arising during the year	(1,048)	569	(9,444)
Reclassification adjustments	2	—	26
Translation adjustments	(1,045)	569	(9,417)
Retirement benefits liability adjustments:			
Amount arising during the year	(58)	(78)	(526)
Reclassification adjustments	253	275	2,283
Before tax effect	195	197	1,756
Tax effect	(59)	(60)	(537)
Retirement benefits liability adjustments	135	136	1,219
Share of other comprehensive (loss) income of an affiliate accounted for by the equity method:			
Amount arising during the year	(22)	10	(202)
Reclassification adjustments	—	—	—
Share of other comprehensive (loss) income of an affiliate accounted for by the equity method	(22)	10	(202)
Other comprehensive (loss) income, net	¥(3,334)	¥ 3,215	\$(30,042)

19. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Reconciliations of cash and deposits shown in the consolidated balance sheet at March 31, 2019 and 2018 and cash and cash equivalents shown in the consolidated statement of cash flows for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥33,647	¥29,590	\$303,132
Time deposits with maturities exceeding three months	(1,674)	(2,207)	(15,086)
Short-term investments	4,114	4,329	37,065
Cash and cash equivalents	¥36,087	¥31,712	\$325,111

(2) For the year ended March 31, 2019, assets acquired and liabilities assumed of Central Conveyor Company, LLC as of the deemed acquisition date, acquisition cost and expenditure for acquisition of newly consolidated subsidiary are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Current assets	¥ 7,123		\$ 64,174
Fixed assets	8,725		78,611
Goodwill	5,642		50,834
Current liabilities	(5,718)		(51,519)
Long-term liabilities	(276)		(2,493)
Translation adjustments	(9)		(88)
Acquisition cost	15,486		139,519
Cash and cash equivalents	(29)		(266)
Expenditure for acquisition of newly consolidated subsidiary	¥15,457		\$139,253

There were no applicable items for the year ended March 31, 2018.

20. LEASES

Future minimum lease payments subsequent to March 31, 2019 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥307	\$2,771
2021 and thereafter	373	3,368
	¥681	\$6,139

21. DERIVATIVES AND HEDGING ACTIVITIES

(1) Derivative transactions to which hedge accounting is not applied

(a) Currency related

The notional amounts of forward foreign exchange contracts to which hedge accounting has not been applied, the estimated fair value of the outstanding derivatives positions and unrealized gain (loss) at March 31, 2019 and 2018 are summarized as follows:

Classification	Transactions	2019			2018		
		Notional amount	Estimated fair value*	Unrealized gain (loss)	Notional amount	Estimated fair value*	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:						
	Sell:						
	U.S. dollars	¥2,424	¥ (2)	¥ (2)	¥2,452	¥ 94	¥ 94
	Euros	1,251	44	44	1,521	21	21
	Chinese yuan	1,144	(31)	(31)	1,869	(63)	(63)
	Canadian dollars	135	2	2	180	10	10
	Australian dollars	121	1	1	112	6	6
	Buy:						
	Japanese yen	675	7	7	435	(8)	(8)
	U.S. dollars	10	(0)	(0)	43	0	0
	Canadian dollars	—	—	—	2	(0)	(0)
	Total	¥5,763	¥ 22	¥ 22	¥6,618	¥ 61	¥ 61

Classification	Transactions	Thousands of U.S. dollars		
		Notional amount	Estimated fair value*	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Sell:			
	U.S. dollars	\$21,838	\$ (23)	\$ (23)
	Euros	11,271	400	400
	Chinese yuan	10,311	(286)	(286)
	Canadian dollars	1,223	22	22
	Australian dollars	1,096	17	17
	Buy:			
	Japanese yen	6,083	70	70
	U.S. dollars	98	0	0
	Canadian dollars	—	—	—
	Total	\$51,923	\$ 199	\$ 199

* Estimated fair value is determined mainly based on the prices quoted by financial institutions.

(b) Interest-rate related

There were no interest-rate related derivative transactions to which hedge accounting is not applied for the years ended March 31, 2019 and 2018.

(2) Derivative transactions to which hedge accounting is applied

(a) Currency related

The notional amounts of forward foreign exchange contracts to which hedge accounting has been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2019 and 2018 are summarized as follows:

Method of hedge accounting	Transactions	Hedged items	2019			2018			
			Notional amount	Due after one year	Estimated fair value*2	Notional amount	Due after one year	Estimated fair value*2	
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:								
	Sell:								
	U.S. dollars	Accounts receivable	¥2,316	¥—	¥(11)	¥2,300	¥—	¥ 49	
	Euros	(Forecasted transactions)	1,293	—	8	1,417	—	19	
	Chinese yuan		667	—	(11)	1,215	—	1	
	Australian dollars		144	—	(1)	163	—	3	
	Canadian dollars		137	—	(1)	174	—	6	
	Thai baht	Accounts receivable—other (Forecasted transactions)	1,542	—	0	1,325	—	(27)	
	Total			¥6,101	¥—	¥(16)	¥6,597	¥—	¥ 53
	Buy:								
	Swedish krona	Accounts payable (Forecasted transactions)	¥ 12	¥—	¥ (0)	¥ —	¥—	¥ —	
Total			¥ 12	¥—	¥ (0)	¥ —	¥—	¥ —	
Deferral hedge accounting for forward foreign exchange contracts	Forward foreign exchange contracts:								
	Sell:								
	U.S. dollars	Foreign currency bond	¥ —	¥—	¥ —	¥ 328	¥—	¥ 13	

		Thousands of U.S. dollars			
		2019			
Method of hedge accounting	Transactions	Hedged items	Notional amount	Due after one year	Estimated fair value*2
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:				
	U.S. dollars	Accounts receivable	\$20,872	\$—	\$(103)
	Euros	(Forecasted transactions)	11,649	—	75
	Chinese yuan		6,009	—	(99)
	Australian dollars		1,305	—	(9)
	Canadian dollars		1,240	—	(13)
	Thai baht	Accounts receivable—other (Forecasted transactions)	13,892	—	3
	Total		\$54,969	\$—	\$(147)
	Buy:				
	Swedish krona	Accounts payable (Forecasted transactions)	\$ 110	\$—	\$ (3)
	Total		\$ 110	\$—	\$ (3)
Deferral hedge accounting for forward foreign exchange contracts	Forward foreign exchange contracts:				
	Sell:				
	U.S. dollars	Foreign currency bond	\$ —	\$—	\$ —

*1 For forward foreign exchange contracts, other than those corresponding to the forecasted transactions above, accounted for by the allocation method (refer to Note 2(e)), their fair value is included in that of the accounts receivable or payable and is disclosed in Note 5 "Financial Instruments."

*2 Estimated fair value is determined mainly based on the prices quoted by financial institutions.

(b) Interest-rate and currency related

There were no currency swap contracts that include interest-rate swaps to which hedge accounting has been applied at March 31, 2019 and 2018.

(c) Interest-rate related

The notional amounts of interest-rate swaps to which hedge accounting has been applied and the estimated fair value of the outstanding derivatives positions at March 31, 2019 and 2018 are summarized as follows:

		Millions of yen						
		2019			2018			
Method of hedge accounting	Transactions	Hedged items	Notional amount	Due after one year	Estimated fair value	Notional amount	Due after one year	Estimated fair value
Special treatment for interest-rate swaps	Interest-rate swaps:							
	Fixed paid/fixed received*2	Straight bonds payable	¥10,000	¥—	*1	¥10,000	¥10,000	*1

		Thousands of U.S. dollars			
		2019			
Method of hedge accounting	Transactions	Hedged items	Notional amount	Due after one year	Estimated fair value
Special treatment for interest-rate swaps	Interest-rate swaps:				
	Fixed paid/fixed received*2	Straight bonds payable	\$90,090	\$—	*1

*1 Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying bonds (refer to Note 2 (e)), their fair value is included in that of the bonds disclosed in Note 5 "Financial Instruments."

*2 These derivative transactions are used to hedge the fluctuation risk of interest rates during the transaction period until interest rate on the straight bond payable is determined.

22. AMOUNTS PER SHARE

Amounts per share at March 31, 2019 and 2018 and for the years then ended are as follows:

	Yen		U.S. dollars
	2019	2018	2019
Net assets	¥4,590.06	¥4,435.96	\$41.35
Profit attributable to owners of parent	364.03	387.44	3.28
Cash dividends	25.00	24.00	0.22

Shares of the Company's common stock were consolidated on a one-for-five basis on October 1, 2018. Amounts per share of net assets, profit attributable to owners of parent and cash dividends are estimated assuming that the share consolidation was completed on April 1, 2017.

The amounts per share of net assets are computed based on the number of shares of common stock outstanding at each year-end.

Profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2019 and 2018 has not been presented because no potentially dilutive shares of common stock were outstanding.

Information used in the calculation of profit attributable to owners of parent per share is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit attributable to owners of parent	¥13,779	¥14,666	\$124,137
Profit attributable to owners of parent not available for distribution to shareholders of common stock	—	—	—
Profit attributable to owners of parent on which profit attributable to owners of parent per share is calculated	¥13,779	¥14,666	\$124,137

	Thousands of shares	
	2019	2018
Weighted-average number of shares of common stock on which profit attributable to owners of parent per share is calculated	37,851	37,854

Shares of the Company's common stock were consolidated on a one-for-five basis on October 1, 2018. Weighted-average number of shares of common stock on which profit attributable to owners of parent per share is calculated is estimated assuming that the share consolidation was completed on April 1, 2017.

23. BUSINESS COMBINATION

Business combination resulting from acquisition

(1) Overview of business combination

(a) Name of acquiree and business description

Name of acquiree: Central Conveyor Company, LLC

Business description: Design, manufacture, construction and sales of transport facility and materials handling system

(b) Main reason for implementing the business combination

The Group aims to expand the materials handling systems business in addition to the chains business and the automotive parts business in the U.S. market, where continuing large growth is expected.

(c) Date of the business combination

June 15, 2018

(d) Legal form of the business combination

100% share acquisition

(e) Name of the merged entity

No change in name

(f) Ratio of voting rights acquired

Equity interest held by the Company before acquisition: 0%

Equity interest held by the Company after acquisition: 100%

(g) Main reasons for determining the acquirer

The Company's consolidated subsidiary, U.S. TSUBAKI HOLDINGS, INC., has acquired the shares for a cash consideration.

(2) Period for which the business results of the acquiree are included in the consolidated financial statements of the Company

From June 16, 2018 to March 31, 2019

(3) Breakdown of consideration for acquisition and type of consideration

Acquisition cost: ¥15,486 million (\$139,519 thousand)

(4) Description and amount of primary acquisition-related costs

Remuneration for advisors and attorneys: ¥489 million (\$4,410 thousand)

(5) Amount of goodwill, reason for recognition, and amortization method and period

(a) Amount of goodwill

¥5,642 million (\$50,834 thousand)

(b) Reason for recognition

As the acquisition cost exceeded the net amount allocated to the assets acquired and liabilities assumed, the excess amount has been recorded as goodwill.

(c) Amortization method and period

Straight-line amortization over 12 years

(6) Assets acquired and liabilities assumed at the date of business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 7,123	\$ 64,174
Fixed assets	8,725	78,611
Total assets	¥15,849	\$142,785
Current liabilities	¥ 5,718	\$ 51,519
Long-term liabilities	276	2,493
Total liabilities	¥ 5,995	\$ 54,012

(7) The amounts allocated to intangible assets other than goodwill, breakdown by component and amortization period by component

	Millions of yen	Thousands of U.S. dollars	Amortization period (years)
Intangible assets:			
Customer-related assets	¥5,661	\$51,000	14.1
Trademark rights	1,476	13,300	—
Other	632	5,700	1.3
Total	¥7,770	\$70,000	—

(8) Estimated impact on the consolidated statement of income for the year ended March 31, 2019, assuming that the business combination was conducted on April 1, 2018 and the method of calculation

	Millions of yen	Thousands of U.S. dollars
Net sales	¥2,874	\$25,912
Operating loss	(11)	(100)
Loss before income taxes	(11)	(100)
Loss attributable to owners of parent	(37)	(337)

(Method by which estimated amounts were calculated)

The estimated amounts were calculated based on the difference between financial information on sales and income calculated on the assumption that the business combination was concluded at the beginning of the year ended March 31, 2019 and financial information on sales and income contained in the consolidated statement of income of the acquiring company.

The estimated amounts of the impact have not been audited.

24. SEGMENT INFORMATION

(1) Outline of reportable segment information

The reportable segments of the Company are components for which obtaining separate financial information is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to the reportable segments. The Company classifies its business segments based on products and services. Each business segment determines comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area. The reportable segments that comprise the Company's operations are: Chains, Power Transmission Units and Components, Automotive Parts and Materials Handling Systems.

(2) Calculation methods used for sales, operating income or loss, assets and other items of each reportable segment

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 2. Intersegment sales are recorded at the same price used in transactions with third parties.

(3) Information on sales, operating income or loss, assets and other items of each reportable segment

Information by reportable segment for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen								
	Reportable Segments								2019
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1	Total	Adjustments and eliminations*2	Consolidated
Sales, operating income and assets:									
Sales to third parties	¥70,259	¥25,077	¥78,992	¥61,354	¥235,683	¥2,831	¥238,515	¥ —	¥238,515
Intersegment sales and transfers	1,763	513	—	473	2,751	717	3,469	(3,469)	—
Total	¥72,023	¥25,591	¥78,992	¥61,827	¥238,435	¥3,548	¥241,984	¥ (3,469)	¥238,515
Segment profit (loss) (Operating income (loss))	¥10,292	¥ 3,340	¥ 8,734	¥ 402	¥ 22,769	¥ (43)	¥ 22,726	¥ (936)	¥ 21,789
Segment assets	75,491	31,795	92,260	61,161	260,707	3,238	263,946	41,969	305,916
Other items:									
Depreciation and amortization	¥ 2,784	¥ 1,056	¥ 6,667	¥ 1,838	¥ 12,347	¥ 18	¥ 12,366	¥ —	¥ 12,366
Investments in an affiliate accounted for by the equity method	—	—	—	324	324	—	324	—	324
Increase in property, plant and equipment and intangible assets	2,789	857	10,743	15,707	30,097	24	30,122	—	30,122

	Millions of yen								
	Reportable Segments								2018
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1	Total	Adjustments and eliminations*3	Consolidated
Sales, operating income and assets:									
Sales to third parties	¥65,965	¥23,663	¥79,545	¥43,724	¥212,899	¥2,817	¥215,716	¥ —	¥215,716
Intersegment sales and transfers	1,373	493	—	462	2,329	514	2,843	(2,843)	—
Total	¥67,338	¥24,156	¥79,545	¥44,187	¥215,228	¥3,331	¥218,560	¥ (2,843)	¥215,716
Segment profit (loss) (Operating income (loss))	¥ 8,502	¥ 3,060	¥10,258	¥ 416	¥ 22,238	¥ (41)	¥ 22,197	¥ (1,502)	¥ 20,694
Segment assets	72,859	29,970	90,927	43,201	236,960	3,242	240,202	43,372	283,574
Other items:									
Depreciation and amortization	¥ 2,801	¥ 955	¥ 6,108	¥ 1,128	¥ 10,994	¥ 11	¥ 11,005	¥ —	¥ 11,005
Investments in an affiliate accounted for by the equity method	—	—	—	344	344	—	344	—	344
Increase in property, plant and equipment and intangible assets	2,860	1,075	12,022	2,131	18,090	26	18,116	—	18,116

Thousands of U.S. dollars

	Reportable Segments							2019	
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Subtotal	Other*1	Total	Adjustments and eliminations*2	Consolidated
Sales, operating income and assets:									
Sales to third parties	\$632,968	\$225,923	\$711,645	\$552,739	\$2,123,277	\$25,508	\$2,148,786	\$ —	\$2,148,786
Intersegment sales and transfers	15,891	4,630	—	4,267	24,788	6,464	31,253	(31,253)	—
Total	\$648,859	\$230,554	\$711,645	\$557,006	\$2,148,066	\$31,972	\$2,180,039	\$(31,253)	\$2,148,786
Segment profit (loss) (Operating income (loss))	\$ 92,721	\$ 30,097	\$ 78,685	\$ 3,629	\$ 205,134	\$ (396)	\$ 204,738	\$ (8,440)	\$ 196,298
Segment assets	680,101	286,442	831,174	551,000	2,348,719	29,180	2,377,899	378,103	2,756,002
Other items:									
Depreciation and amortization	\$ 25,087	\$ 9,518	\$ 60,069	\$ 16,567	\$ 111,242	\$ 165	\$ 111,408	\$ —	\$ 111,408
Investments in an affiliate accounted for by the equity method	—	—	—	2,927	2,927	—	2,927	—	2,927
Increase in property, plant and equipment and intangible assets	25,132	7,723	96,787	141,506	271,150	223	271,373	—	271,373

*1 The "Other" segment consists of business segments not classified into the aforementioned four reporting segments, including building maintenance business, insurance agency business and others.

*2 (1) The adjustments and eliminations of segment profit or loss of ¥936 million (\$8,440 thousand) include the following: ¥50 million (\$454 thousand) of intersegment profit eliminations and ¥987 million (\$8,895 thousand) of corporate expenses, which are not allocable to the reportable segments.

(2) The adjustments and eliminations of segment assets of ¥41,969 million (\$378,103 thousand) include the following: ¥1,085 million (\$9,781 thousand) of intersegment transaction eliminations and ¥43,055 million (\$387,884 thousand) of corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly cash and cash equivalents and investments in securities.

*3 (1) The adjustments and eliminations of segment profit of ¥1,502 million include the following: ¥85 million of intersegment profit eliminations and ¥1,588 million of corporate expenses, which are not allocable to the reportable segments.

(2) The adjustments and eliminations of segment assets of ¥43,372 million include the following: ¥934 million of intersegment transaction eliminations and ¥44,306 million of corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly cash and cash equivalents and investments in securities.

(4) Geographical information

Sales to third parties by country or geographical area for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥ 96,812	¥ 95,982	\$ 872,185
U.S.A.	54,418	39,704	490,252
Europe	27,074	24,670	243,913
Indian Ocean Rim	16,924	14,860	152,473
China	20,649	20,273	186,030
Korea and Taiwan	10,350	9,721	93,248
Other	12,285	10,503	110,682
Total	¥238,515	¥215,716	\$2,148,786

Property, plant and equipment by country or geographical area at March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥ 75,138	¥ 74,350	\$ 676,922
U.S.A.	17,787	14,713	160,247
Europe	5,593	5,744	50,395
Indian Ocean Rim	3,938	3,961	35,480
China	8,539	8,325	76,928
Korea and Taiwan	4,271	4,592	38,482
Other	1,677	1,599	15,113
Total	¥116,946	¥113,285	\$1,053,569

The information by major customer for the years ended March 31, 2019 and 2018 is summarized as follows:

Customer	Related segment	Millions of yen		Thousands of U.S. dollars
		2019	2018	2019
Tsubakimoto Kogyo Co., Ltd.	Chains, Power Transmission Units and Components, Automotive Parts, Materials Handling Systems	¥27,506	¥27,609	\$247,809

(5) Impairment loss on fixed assets per reportable segment

	Millions of yen						Consolidated
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	
Impairment loss	¥69	¥—	¥—	¥2,123	¥—	¥—	¥2,193

	Millions of yen						Consolidated
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	
Impairment loss	¥—	¥—	¥—	¥167	¥—	¥—	¥167

Note: The amount of loss on impairment of fixed assets was included in loss on business restructuring in the consolidated statement of income for the year ended March 31, 2018.

	Thousands of U.S. dollars						Consolidated
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	
Impairment loss	\$627	\$—	\$—	\$19,134	\$—	\$—	\$19,762

(6) Information on amortization of goodwill per reportable segment and the balances as of and for the years ended March 31, 2019 and 2018

							Millions of yen
							2019
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥40	¥42	¥—	¥ 395	¥—	¥—	¥ 478
Balance at March 31, 2019	42	—	—	3,344	—	—	3,387

							Millions of yen
							2018
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	¥39	¥83	¥—	¥276	¥—	¥—	¥400
Balance at March 31, 2018	87	42	—	23	—	—	153

							Thousands of U.S. dollars
							2019
	Chains	Power Transmission Units and Components	Automotive Parts	Materials Handling Systems	Other	Adjustments and eliminations	Consolidated
Amortization	\$365	\$383	\$—	\$ 3,564	\$—	\$—	\$ 4,313
Balance at March 31, 2019	385	—	—	30,134	—	—	30,519

25. SUBSEQUENT EVENTS

Distribution of retained earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements as of March 31, 2019, was approved at the annual general meeting of the shareholders held on June 27, 2019:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥60.0 (\$0.54) per share)	¥2,271	\$20,460

Independent Auditor's Report



Independent Auditor's Report

The Board of Directors
TSUBAKIMOTO CHAIN CO.

We have audited the accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. 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 TSUBAKIMOTO CHAIN CO. and its consolidated subsidiaries 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 1.

Ernst & Young ShinNihon LLC

June 28, 2019
Osaka, Japan

