
***Kaga Electronics Co., Ltd.
and Consolidated Subsidiaries***

*Consolidated Financial Statements for the
Year Ended March 31, 2019
and Independent Auditors' Report*



Independent Auditor's Report

To the Board of Directors of
Kaga Electronics Co., Ltd.

We have audited the accompanying consolidated financial statements of Kaga Electronics Co., Ltd. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statement of income and comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, and the notes to consolidated financial statements.

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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 comply with ethical requirements and 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. In making those risk assessments, the auditor considers internal control 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, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.



To the Board of Directors of
Kaga Electronics Co., Ltd.
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Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Pricewaterhouse Coopers Harata LLC

September 20, 2019

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>
CURRENT ASSETS:			
Cash and bank deposits	¥ 30,803	¥ 35,003	\$ 315,376
Notes and accounts receivable-trade※3	45,809	96,145	866,252
Electronically recorded monetary claims※3	4,032	5,361	48,308
Short-term investment securities	295	261	2,357
Merchandise and finished goods	15,060	33,734	303,938
Work in process	575	489	4,410
Raw materials and supplies	3,818	5,802	52,278
Others	3,807	5,894	53,104
Allowance for doubtful accounts	(133)	(296)	(2,667)
Total CURRENT ASSETS	<u>104,069</u>	<u>182,396</u>	<u>1,643,361</u>
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	8,102	9,436	85,024
Accumulated depreciation	(3,232)	(4,526)	(40,780)
Buildings and structures, net	<u>4,870</u>	<u>4,910</u>	<u>44,243</u>
Machinery, equipment and vehicles	6,315	8,266	74,481
Accumulated depreciation	(3,731)	(4,760)	(42,892)
Machinery, equipment and vehicles, net	<u>2,583</u>	<u>3,506</u>	<u>31,589</u>
Tools, furniture and fixtures	3,556	5,119	46,129
Accumulated depreciation	(2,846)	(4,015)	(36,175)
Tools, furniture and fixtures, net	<u>709</u>	<u>1,104</u>	<u>9,954</u>
Land	4,036	4,861	43,799
Construction in progress	10	628	5,660
Total PROPERTY, PLANT AND EQUIPMENT	<u>12,210</u>	<u>15,011</u>	<u>135,248</u>
INTANGIBLE ASSETS			
Goodwill	317	259	2,340
Software	515	1,819	16,397
Others	46	126	1,139
Total INTANGIBLE ASSETS	<u>878</u>	<u>2,206</u>	<u>19,878</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1	8,688	10,085	90,867
Deferred tax assets	530	1,292	11,648
Guarantee deposits	657	870	7,845
Insurance funds	943	951	8,574
Others	1,363	1,462	13,172
Allowance for doubtful accounts	(587)	(515)	(4,647)
Total INVESTMENTS AND OTHER ASSETS	<u>11,595</u>	<u>14,147</u>	<u>127,462</u>
Total NONCURRENT ASSETS	<u>24,685</u>	<u>31,364</u>	<u>282,588</u>
Total ASSETS	<u>¥ 128,755</u>	<u>¥ 213,761</u>	<u>\$ 1,925,949</u>

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>LIABILITIES</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>
CURRENT LIABILITIES:			
Notes and accounts payable-trade ※3	¥ 36,392	¥ 77,884	\$ 701,726
Short-term loans payable	5,385	30,656	276,209
Accrued expenses	3,711	5,307	47,816
Income taxes payable	901	1,147	10,340
Provision for directors' bonuses	247	105	953
Others	3,068	6,239	56,212
Total CURRENT LIABILITIES	<u>49,707</u>	<u>121,340</u>	<u>1,093,257</u>
NONCURRENT LIABILITIES:			
Long-term loans payable	3,161	1,882	16,960
Deferred tax liabilities	1,276	1,300	11,715
Provision for directors' retirement benefits	1,264	94	852
Net defined benefit liabilities	1,737	1,997	17,995
Asset retirement obligations	175	280	2,525
Others	800	2,606	23,481
Total NONCURRENT LIABILITIES	<u>8,416</u>	<u>8,161</u>	<u>73,530</u>
Total LIABILITIES	<u>58,123</u>	<u>129,501</u>	<u>1,166,788</u>
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	109,321
Capital surplus	13,853	13,865	124,927
Retained earnings	45,183	51,297	462,177
Treasury stock	(2,042)	(2,024)	(18,236)
Total SHAREHOLDERS' EQUITY	<u>69,127</u>	<u>75,272</u>	<u>678,189</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	1,504	1,018	9,173
Deferred gains or losses on hedges	(16)	2	19
Foreign currency translation adjustment	148	527	4,748
Remeasurements of defined benefit obligations	(208)	(215)	(1,939)
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>1,428</u>	<u>1,332</u>	<u>12,001</u>
Non-controlling interests	<u>75</u>	<u>7,654</u>	<u>68,969</u>
Total NET ASSETS	<u>70,631</u>	<u>84,259</u>	<u>759,160</u>
Total LIABILITIES AND NET ASSETS	<u>¥ 128,755</u>	<u>¥ 213,761</u>	<u>\$ 1,925,949</u>

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2019	2019
Net sales	¥ 235,921	¥ 292,779	\$ 2,637,894
Cost of sales ※2	203,423	257,233	2,317,627
Gross profit	32,498	35,546	320,267
Selling, general and administrative expenses ※1, 2	24,379	27,976	252,059
Operating income	8,119	7,570	68,207
NON-OPERATING INCOME			
Interest income	124	174	1,568
Dividend income	119	175	1,580
Commission fee	279	209	1,890
Foreign exchange gains	44	-	-
House rent income	99	106	962
Others	228	349	3,150
Total NON-OPERATING INCOME	896	1,015	9,151
NON-OPERATING EXPENSES			
Interest expenses	132	200	1,806
Share of loss of entities accounted for using equity method	111	194	1,748
Foreign exchange losses	-	177	1,601
Others	32	153	1,385
Total NON-OPERATING EXPENSES	275	726	6,542
Ordinary income	8,740	7,859	70,817
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※3	28	17	154
Gain on sales of investment securities	591	215	1,941
Gain on negative goodwill	-	2,164	19,500
Gain on sales of shares of subsidiaries	467	-	-
Gain on transfer of business	12	7	63
Total EXTRAORDINARY INCOME	1,101	2,403	21,658
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment ※4	7	16	144
Impairment loss	228	31	281
Loss on sales of investment securities	24	2	25
Loss on valuation of investment securities	269	550	4,960
Loss on valuation of golf club membership	6	6	54
Others	5	8	73
Total EXTRAORDINARY LOSS	¥ 541	¥ 614	\$ 5,539

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Income before income taxes	¥ 9,300	¥ 9,649	\$ 86,936
Income taxes-current	1,840	1,477	13,307
Income taxes-deferred	952	120	1,085
Total income taxes	<u>2,792</u>	<u>1,597</u>	<u>14,393</u>
Net income	<u>6,507</u>	<u>8,051</u>	<u>72,543</u>
Profit attributable to owners of the parent	6,490	8,014	72,208
Profit attributable to non-controlling interests	16	37	335
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	345	(489)	(4,411)
Deferred gains or losses on hedges	(16)	18	165
Foreign currency translation adjustment	(273)	307	2,774
Remeasurements of defined benefit obligations, net of tax	(17)	9	86
Share of other comprehensive income of entities accounted for using equity method	-	(49)	(444)
Total OTHER COMPREHENSIVE INCOME ※5	<u>37</u>	<u>(203)</u>	<u>(1,829)</u>
Comprehensive income	<u>¥ 6,544</u>	<u>7,848</u>	<u>\$ 70,713</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 6,528	¥ 7,801	\$ 70,287
Non-controlling interests	16	47	426

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2019

Fiscal year ended March 31, 2018

	Millions of Yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	¥ 12,133	¥ 13,912	¥ 40,476	¥ (2,040)	¥ 64,481
Changes of items during period					
Dividends from surplus			(1,783)		(1,783)
Profit attributable to owners of the parent			6,490		6,490
Purchase of treasury stock				(2)	(2)
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(58)			(58)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(58)	4,707	(2)	4,645
Total	¥ 12,133	¥ 13,853	¥ 45,183	¥ (2,042)	¥ 69,127

	Millions of Yen						
	Accumulated other comprehensive income						Total net assets
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of current period	¥ 1,159	¥ 0	¥ 421	¥ (190)	¥ 1,391	¥ 59	¥ 65,932
Changes of items during period							
Dividends from surplus							(1,783)
Profit attributable to owners of the parent							6,490
Purchase of treasury stock							(2)
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests							(58)
Net changes of items other than shareholders' equity	344	(16)	(273)	(17)	37	16	54
Total changes of items during period	344	(16)	(273)	(17)	37	16	4,699
Total	¥ 1,504	¥ (16)	¥ 148	¥ (208)	¥ 1,428	¥ 75	¥ 70,631

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2019

Fiscal year ended March 31, 2019

	Millions of Yen				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of current period	¥ 12,133	¥ 13,853	¥ 45,183	¥ (2,042)	¥ 69,127
Changes of items during period					
Dividends from surplus			(2,057)		(2,057)
Profit attributable to owners of the parent			8,014		8,014
Purchase of treasury stock				(1)	(1)
Disposal of treasury shares		12		24	36
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Change in scope of equity method			156	(4)	152
Net changes of items other than shareholders' equity					
Total changes of items during period	—	12	6,113	18	6,144
Total	¥ 12,133	¥ 13,865	¥ 51,297	¥ (2,024)	¥ 75,272

	Millions of Yen						
	Accumulated other comprehensive income						Total net assets
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	
Balance at the beginning of current period	¥ 1,504	¥ (16)	¥ 148	¥ (208)	¥ 1,428	¥ 75	¥ 70,631
Changes of items during period							
Dividends from surplus							(2,057)
Profit attributable to owners of the parent							8,014
Purchase of treasury stock							(1)
Disposal of treasury shares							36
Change in treasury shares arising from change in equity in entities accounted for using equity method							(0)
Change in scope of equity method							152
Net changes of items other than shareholders' equity	(486)	18	378	(6)	(96)	7,579	7,482
Total changes of items during period	(486)	18	378	(6)	(96)	7,579	13,627
Total	¥ 1,018	¥ 2	¥ 527	¥ (215)	¥ 1,332	¥ 7,654	¥ 84,259

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2019

Fiscal year ended March 31, 2019

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	\$ 109,321	\$ 124,818	\$ 407,094	\$ (18,405)	\$ 622,828
Changes of items during period					
Dividends from surplus			(18,538)		(18,538)
Profit attributable to owners of the parent			72,208		72,208
Purchase of treasury stock				(10)	(10)
Disposal of treasury shares		109		220	329
Change in treasury shares arising from change in equity in entities accounted for using equity method				(2)	(2)
Change in scope of equity method			1,412	(39)	1,373
Net changes of items other than shareholders' equity					
Total changes of items during period	—	109	55,082	169	55,360
Total	\$ 109,321	\$ 124,927	\$ 462,177	\$ (18,236)	\$ 678,189

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ 13,556	\$ (144)	\$ 1,336	\$ (1,876)	\$ 12,870	\$ 682	\$ 636,381
Changes of items during period							
Dividends from surplus							(18,538)
Profit attributable to owners of the parent							72,208
Purchase of treasury stock							(10)
Disposal of treasury shares							329
Change in treasury shares arising from change in equity in entities accounted for using equity method							(2)
Change in scope of equity method							1,373
Net changes of items other than shareholders' equity	(4,383)	164	3,410	(63)	(868)	68,286	67,420
Total changes of items during period	(4,383)	164	3,410	(63)	(868)	68,286	122,780
Total	\$ 9,173	\$ 19	\$ 4,748	\$ (1,939)	\$ 12,001	\$ 68,969	\$ 759,160

The accompanying notes are an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2019	2019
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 9,300	¥ 9,649	\$ 86,936
Depreciation and amortization	1,481	1,740	15,678
Impairment loss	228	31	281
Amortization of goodwill	88	85	767
Increase (Decrease) in net defined benefit liability	40	(58)	(524)
Increase (Decrease) in provision for directors' retirement benefits	41	(4)	(41)
Increase (Decrease) in provision for directors' bonuses	43	(160)	(1,443)
(Decrease) Increase in allowance for doubtful accounts	(85)	53	486
Interest and dividend income	(244)	(351)	(3,162)
Interest expenses	132	200	1,806
Share of profit of entities accounted for using equity method	111	194	1,748
Gain on sales of shares of subsidiaries	(467)	-	-
Gain on sales of property, plant and equipment	(23)	(10)	(91)
Loss on retirement of property, plant and equipment	7	16	144
Gain on sales of investment securities	(567)	(212)	(1,915)
Loss on valuation of investment securities	269	550	4,960
Gain on negative goodwill	-	(2,164)	(19,500)
Decrease (Increase) in notes and accounts receivable-trade	2,076	(1,152)	(10,380)
Increase in inventories	(226)	(2,145)	(19,331)
Decrease in notes and accounts payable-trade	(1,101)	(6,746)	(60,782)
Decrease (Increase) in accounts receivable-other	1,087	(207)	(1,868)
Increase in accrued expenses	338	552	4,977
(Increase) Decrease in advance payments	(135)	292	2,635
Increase in consumption taxes refund receivable	(163)	(2)	(21)
Increase in other current assets	(88)	(191)	(1,728)
(Decrease) Increase in other current liabilities	(362)	276	2,489
Others, net	(47)	135	1,222
Subtotal	11,734	371	3,343
Interest and dividend income received	242	349	3,151
Interest expenses paid	(130)	(189)	(1,709)
Income taxes paid	(1,770)	(2,078)	(18,728)
Others, net	2	0	3
Net cash provided by (used in) operating activities	¥ 10,077	¥ (1,547)	\$ (13,940)

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2019	2019
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (2,773)	¥ (2,661)	\$ (23,979)
Proceeds from withdrawal of time deposits	1,158	1,944	17,522
Purchase of property, plant and equipment	(1,678)	(3,027)	(27,281)
Proceeds from sales of property, plant and equipment	87	111	1,005
Purchase of intangible assets	(360)	(420)	(3,788)
Purchase of investment securities	(2,481)	(2,977)	(26,829)
Proceeds from sales of investment securities	1,331	575	5,182
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(286)	(2,578)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	504	-	-
Payments of short-term loans receivable	(1)	(2)	(22)
Collection of short-term loans receivable	1	3	27
Purchase of insurance funds	(15)	(13)	(119)
Proceeds from cancellation of insurance funds	14	10	97
Payments for guarantee deposits	(58)	(29)	(261)
Proceeds from collection of guarantee deposits	136	25	229
Other payments	(74)	(125)	(1,129)
Other proceeds	36	12	111
Net cash used in investing activities	(4,173)	(6,860)	(61,814)
NET CASH USED IN FINANCING ACTIVITIES			
Increase in short-term loans payable	825	15,137	136,385
Repayment of long-term loans payable	(1,641)	(1,269)	(11,435)
Purchase of treasury stock	(2)	(1)	(10)
Cash dividends paid	(1,780)	(2,054)	(18,511)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(58)	-	-
Others, net	(153)	(127)	(1,151)
Net cash (used in) provided by financing activities	(2,811)	11,684	105,277
Effect of exchange rate change on cash and cash equivalents	(234)	75	681
Net increase in cash and cash equivalents	2,857	3,352	30,203
Cash and cash equivalents-beginning balance	26,021	28,879	260,197
Cash and cash equivalents-ending balance ※1	¥ 28,879	¥ 32,231	\$ 290,401

The accompanying note is an integral part of these financial statements.

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements For the Year Ended March 31, 2019

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kaga Electronics Co., Ltd. (the "Company") is incorporated and operates. Amounts less than ¥1 million have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to \$1, the rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*

The consolidated financial statements include accounts of the Company and all of its subsidiaries (43 in 2018 and 52 in 2019) (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

During the current fiscal year and following the Company's additional acquisition of its shareholding and the new investment, the Company recognized a new affiliate company for the year ended March 31, 2019, which has been accounted for using the equity method.

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

The fiscal year-end of some of the Company's consolidated subsidiaries (13 in 2018 and 15 in 2019) is December 31. The consolidated financial statements incorporate accounts of these companies with adjustments for significant transactions arising during the period from January 1 to March 31.

b. *Cash Equivalents*

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.

c. *Inventories*

The Company and its domestic subsidiaries state specific merchandise inventories ordered by customers at the lower of cost, determined by the specific identification method, or market value and that other merchandise inventories at the lower of cost, determined principally by the moving-average method, or market value.

The overseas subsidiaries state inventories at the lower of cost, determined principally by the first-in, first-out method, or market value.

d. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are measured at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in a component of other comprehensive income.

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

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to the consolidated statement of income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, facilities attached to buildings and structures acquired after April 1, 2016, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	5 to 12 years
Tools, furniture and fixtures	2 to 20 years

f. Goodwill

Goodwill is amortized by the straight-line method principally over a period of 5 years.

g. Software

Software is amortized using the straight-line method over its estimated useful life.

Internal use software	5 years
Software for sale	3 years

h. Retirement and Pension Plans

To prepare for disbursement of employees' retirement benefits under the defined benefit plan, a defined benefit liability, which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year, is recognized. The retirement benefit obligations are calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on the benefit formula basis. Past service cost is primarily amortized on a straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is primarily amortized from the following year on a straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Actuarial gain and loss and past service costs that are yet to be recognized as gains or losses are recorded as remeasurements of defined benefit obligations presented in other comprehensive income, after being adjusted for tax effects.

i. Leases

The Company applies the lease accounting standard, which requires all finance lease transactions be capitalized in the balance sheet.

j. Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount based on the historical bad debt ratio during a certain reference period in addition to an estimated uncollectible amount based on the analysis of certain individual accounts.

k. Provision for directors' bonuses

Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

l. Provision for directors' retirement benefits

The Company accrues liabilities related to retirement benefit obligations for directors and corporate auditors, which is, in general, based upon the amounts required by the internal rules.

m. Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, and differences arising from the translation are charged or credited to the consolidated statement of income.

Assets and liabilities of the foreign subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments after being adjusted for non-controlling interests and tax effects.

n. Derivatives and Hedging Activities

(1) Hedge accounting method

The Company applies the deferred hedge method. The Company, however, adopts the allocation method to account for forward exchange contracts if the requirements for the allocation method are met. The Company also adopts the special method to account for interest rate swaps, which meet the requirements for specific matching criteria.

(2) Hedging instruments and hedged items

(Hedging instruments)

Foreign currency forward contract transactions

NDF transactions

Interest rate swaps

(Hedged items)

Assets and liabilities denominated in foreign currencies

Interest rates on long-term loans payable

(3) Hedging policy

The Company determines the hedging policy based on the internal rules. Foreign currency forward contracts where there is expected risk such as fluctuation in foreign exchange are used. Interest rate swaps where there is expected risk such as fluctuation in interest rates on long-term loans payable are used.

(4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the changing ratio of cash flows arising from the hedged items to the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. Also, regarding interest rate swaps, the Company omits assessment of hedge effectiveness based upon the fulfillment of the requirements for specific matching criteria.

o. Accounting for consumption tax

Consumption tax on goods and services is not included in the revenue and expense amounts.

p. Application of Consolidated Taxation regime

The Company has adopted the consolidated taxation regime.

q. Standards and Guidance not yet adopted

The following standards and guidance were issued but not yet adopted.

(Revenue Recognition)

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

- *Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30, issued by the Accounting Standards Board of Japan on March 30, 2018)*

(1) Overview

The International Accounting Standards Board (IASB) and the U.S Financial Accounting Standards Board (FASB), which jointly develop comprehensive accounting standards for revenue recognition, announced in May 2014 the release of their respective new revenue standards, both of which are named Revenue from Contracts with Customers (IASB: International Financial Reporting Standard 15 (IFRS 15); FASB: Topic 606). IFRS 15 is effective from annual reporting periods beginning on or after January 1, 2018; FASB Topic 606 is effective from annual reporting periods beginning after December 15, 2017. In light of this development, the Accounting Standards Board of Japan (ASBJ) developed and

issued a comprehensive accounting standard for revenue recognition and its implementation guidance. In developing the accounting standard for revenue recognition, the ASBJ kept as its basic policy the objective of ensuring the comparability of financial statements, and as such wrote the standard to drive consistency with IFRS 15, starting by incorporating the basic principles of IFRS 15 and providing some further accounting treatment provisions pertinent to the Japanese business environment, to the extent that these do not impair comparability.

(2) Effective date

To be applied from the beginning of the fiscal year ending March 31, 2022

(3) Effects of the application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of this new standard on the consolidated financial statements.

(Lease)

- IFRS No.16

(1) Overview

In principle the new standards requires that the lessee recognize right-to-use assets and associated lease liabilities on the balance sheet in respect of almost all leases.

(2) Effective date

To be applied from the beginning of the fiscal year ending March 31, 2020

(3) Impact of applying the standards

The impact of applying the standards on the consolidated financial statements is being evaluated.

r. Changes in presentation

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

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) are applied from the beginning of the fiscal year ended March 31, 2019, in accordance with which changes are made to the presentation methods, with deferred tax assets presented as noncurrent assets under investments and other assets, and deferred tax liabilities presented under noncurrent liabilities.

As a result, in the consolidated balance sheet for the fiscal year ended March 31, 2018, “deferred tax assets” in “current assets” decreased by ¥1,028 million (US\$ 9,263 thousands), and “deferred tax assets” in “investments and other assets” increased by ¥290 million (US\$ 2,613 thousands). In addition, “other” in “current liabilities” decreased by ¥1 million (US\$ 13 thousands), and “deferred tax liabilities” in “noncurrent liabilities” decreased by ¥736 million (US\$ 6,637 thousands).

Note that deferred tax assets are offset against deferred tax liabilities where they relate to the same taxable entity, and as a result, total assets decreased by ¥738 million (US\$ 6,650 thousands) compared to the figure before the change.

In addition, in the notes related to tax effect accounting, the “Accounting Standards for Tax Effect Accounting” provided in Paragraphs 3 to 5 of the Partial Amendments to Tax Effect Accounting Standards (Note 8) (excluding the total valuation allowance) and the same commentary (Note 9). However, the contents relating to the previous consolidated fiscal year are not described in accordance with the transitional treatment stipulated in Paragraph 7 of the Partial Amendment to the Tax Effect Accounting Standard.

3. NOTES TO CONSOLIDATED BALANCE SHEET

※1. *Investment securities*

Investment securities include the following accounts of affiliated companies.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Capital stock	¥ 294	¥ 1,306	\$ 11,770

※2. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥25 million and ¥26 million (US\$ 240 thousands) at March 31, 2018 and 2019, respectively.

※3. *Notes receivable and payable*

The Company and its domestic consolidated subsidiaries record actual cash settlement of the notes on the date of clearance. Since the closing date on March 31, 2019 was not a business day for financial institutions, the following notes due to mature on the closing date are included in the year-end balances.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Notes and accounts receivable – trade	¥ 125	¥ 196	\$ 1,766
Electronically recorded monetary claims	66	59	538
Notes and accounts payable - trade	82	63	570

※4. *Commitment line contract*

The Company is under a commitment line contract to four banks for effective fund-raising:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Total limit of contract	¥ 10,000	¥ 10,000	\$ 90,098
Loan balances	—	1,500	13,514
Available amounts	<u>¥ 10,000</u>	<u>¥ 8,500</u>	<u>\$ 76,583</u>

4. NOTES TO CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

※1. *Selling, general and administrative expenses*

Major items and the amounts under “Selling, general and administrative expenses” are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Salaries and bonuses	¥ 10,641	¥ 11,903	\$ 107,246
Retirement benefit expenses	650	692	6,241
Provision for directors’ retirement benefits	70	226	2,036
Provision for directors’ bonuses	252	88	799
Provision of allowance for doubtful accounts	(80)	37	338

※2. *Research and development costs*

Research and development costs charged to income are ¥81 million and ¥103 million (US\$ 931 thousands) for the years ended March 31, 2018 and 2019, respectively.

※3. *Gain on sales of property, plant and equipment*

Details of gain on sales of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Buildings and structures	¥ —	¥ 3	\$ 27
Machinery, equipment and vehicles	10	6	57
Tools, furniture and fixtures	3	7	69
Land	14	—	—
Total	<u>¥ 28</u>	<u>¥ 17</u>	<u>\$ 154</u>

※4. *Loss on disposal of property, plant and equipment*

Details of loss on disposal of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Buildings and structures	¥ 0	¥ 9	\$ 85
Machinery, equipment and vehicles	3	5	49
Tools, furniture and fixtures	1	1	9
Software	2	—	—
Total	<u>¥ 7</u>	<u>¥ 16</u>	<u>\$ 144</u>

※5. Amount of reclassification and income tax effect associated with other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 1,044	¥ 447	\$ 4,035
Amount of reclassification	(514)	206	1,863
Net gain before income tax effect	530	654	5,899
Income tax effect	(184)	(165)	(1,487)
Net unrealized gain or loss on securities, net of Tax	345	(489)	(4,411)
Deferred gains or losses on hedges			
Amount arising during the period	(23)	2	23
Amount of reclassification	(0)	23	214
Net gain before income tax effect	(24)	26	238
Income tax effect	7	(8)	(72)
Deferred gains or losses on hedges	(16)	18	165
Foreign currency translation adjustment			
Amount arising during the period	(252)	307	2,774
Amount of reclassification	(21)	-	-
Foreign currency translation adjustment	(273)	307	2,774
Remeasurements of defined benefit plans			
Amount arising during the period	(125)	(25)	(230)
Amount of reclassification	99	39	355
Net gain before income tax effect	(25)	13	125
Income tax effect	(7)	(4)	(39)
Remeasurements of defined benefit plans	(17)	9	86
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the period	-	(49)	(444)
Total other comprehensive income	¥ 37	¥ (203)	\$ (1,829)

5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2018

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2017	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2018
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,266,468	975	50	1,267,393

Note:

The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of fractional share repurchases: 975 shares

Decrease as a result of the disposition of fractional shares: 50 shares

2. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2017	Common stock	960	35	March 31, 2017	June 30, 2017
Board of Directors' meeting held on November 8, 2017	Common stock	823	30	September 30, 2017	December 1, 2017

(2) Dividends whose effective date is after March 31, 2018 with record date during the year ended March 31, 2019.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2018	Common stock	1,097	Retained earnings	40	March 31, 2018	June 29, 2018

For the year ended March 31, 2019

1. Type and number of issued shares of common stock and treasury stock

	Number of shares as of April 1, 2018	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2019
Number of outstanding shares				
Common stock	28,702,118	—	—	28,702,118
Number of treasury stocks				
Common stock (Note)	1,267,393	2,731	15,200	1,254,924

Note:

The breakdown of the increase and decrease of common stock is as follows:

Company's portion of treasury shares (shares of the company) held by an equity-method associate: 2,227 shares

Increase as a result of fractional share repurchases: 504 shares

Decrease as a result of the disposition of fractional share: 15,200 shares

2. Dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2018	Common stock	1,097 (US\$9,887 thousand)	40 (US\$0.36)	March 31, 2018	June 29, 2018
Board of Directors' meeting held on November 6, 2018	Common stock	960 (US\$8,651 thousand)	35 (US\$0.31)	September 30, 2018	December 7, 2018

(2) Dividends whose effective date is after March 31, 2019 with record date during the year ended March 31, 2019.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 27, 2019	Common stock	1,235 (US\$11,129 thousand)	Retained earnings	45 (US\$0.40)	March 31, 2019	June 28, 2019

6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

- ※1. Cash and cash equivalents at March 31, 2018 and 2019 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Cash and bank deposits	¥ 30,803	¥ 35,003	\$ 315,376
Time deposits with a deposit period of more than 3 months	(2,023)	(2,772)	(24,975)
Short-term investments (investment securities) with a maturity of three months or less from the date of acquisition	99	—	—
Cash and cash equivalents	¥ 28,879	¥ 32,231	\$ 290,401

- ※2. Major breakdown of assets and liabilities of a company that became a new consolidated subsidiary due to the acquisition of shares in the current fiscal year.

Breakdown of assets and liabilities as at the time of the initial consolidation of Fujitsu Electronics Co., Ltd. (“Fujitsu Electronics”) as well as the relationship between the acquisition price of Fujitsu Electronics shares and the net expenditures for the acquisition of Fujitsu Electronics are as follows.

	Millions of Yen	Thousands of U.S. Dollars
Current Assets	¥ 89,442	\$ 805,806
Non Current Assets	3,735	33,658
Current Liabilities	(66,864)	(602,440)
Non Current Liabilities	(1,206)	(10,870)
Negative goodwill	(2,164)	(19,500)
Non-controlling interests	(7,531)	(67,861)
Acquisition cost of Fujitsu Electronics	15,410	138,842
Cash and cash equivalents of Fujitsu Electronics	(15,123)	(136,264)
Net: Purchase of shares of Fujitsu Electronics	286	2,578

7. LEASES

Finance leases that do not transfer ownership of the leased assets to lessees.

Leased assets:

The Group leases buildings, machinery, equipment and vehicles and other assets.

As described in Note 2.i, the lease accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

Future lease payments under non-cancelable operating leases at March 31, 2018 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Due within one year	¥ 15	¥ 11	\$ 99
Due after one year	12	5	49
Total	¥ 28	¥ 16	\$ 149

8. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institutions, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

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

Receivables and Payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

(3) *Risk Management for Financial Instruments*

Credit risk management

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring the payment terms and balances of major customers by each business administration department to identify the default risk of customers in an early stage.

Market risk management (foreign exchange risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. Please see Note 10 for the detail of fair value for derivatives.

Cash and cash equivalents, receivables and payables, short-term bank loans, accrued expenses, income taxes payables

The carrying value of the above accounts approximate fair value because of their short maturities.

Guarantee deposits

The fair value of guaranteed deposits is calculated by the contract amount supplier presented or calculated from past experience and discounted by a risk free rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 9.

Long-term loans payable

The fair value of long-term loans payable is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 10.

(a) Fair Value of Financial Instruments

<u>March 31, 2018</u>	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 30,803	¥ 30,803	¥ —
Notes and accounts receivable-trade	45,809		
Electronically recorded monetary claims	4,032		
Allowance for doubtful accounts ※1	(133)		
	49,708	49,708	—
Short-term investment securities	295	295	—
Investment securities	7,008	7,008	—
Guarantee deposits	413	330	(82)
Total	¥ 88,229	¥ 88,146	¥ (82)
Notes and accounts payable-trade	¥ 36,392	¥ 36,392	¥ —
Short-term loans payable	5,385	5,385	—
Accrued expenses	3,711	3,711	—
Income taxes payable	901	901	—
Long-term loans payable	3,161	3,163	(1)
Total	¥ 49,552	¥ 49,554	¥ (1)
Derivatives ※2	¥ (23)	¥ (23)	¥ —

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

<u>March 31, 2019</u>	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	¥ 35,003	¥ 35,003	¥ —
Notes and accounts receivable-trade	96,145		
Electronically recorded monetary claims	5,361		
Allowance for doubtful accounts ※1	(296)		
	101,211	101,211	—
Short-term investment securities	261	261	—
Investment securities	7,437	7,437	—
Guarantee deposits	536	371	(164)
Total	¥144,450	¥144,285	¥ (164)
Notes and accounts payable-trade	¥ 77,884	¥ 77,884	¥ —
Short-term loans payable	30,656	30,656	—
Accrued expenses	5,307	5,307	—
Income taxes payable	1,147	1,147	—
Long-term loans payable	1,882	1,884	(1)
Total	¥116,878	¥116,880	¥ (1)
Derivatives ※2	¥ (2)	¥ (2)	¥ —

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and bank deposits	\$ 315,376	\$ 315,376	\$ —
Notes and accounts receivable-trade	866,252		
Electronically recorded monetary claims	48,308		
Allowance for doubtful accounts ※1	(2,667)		
	911,893	911,893	—
Short-term investment securities	2,357	2,357	—
Investment securities	67,010	67,010	—
Guarantee deposits	4,830	3,348	(1,481)
Total	<u>\$ 1,301,468</u>	<u>\$ 1,299,986</u>	<u>\$ (1,481)</u>
Notes and accounts payable-trade	\$ 701,726	\$ 701,726	\$ —
Short-term loans payable	276,209	276,209	—
Accrued expenses	47,816	47,816	—
Income taxes payable	10,340	10,340	—
Long-term loans payable	16,960	16,978	(17)
Total	<u>\$ 1,053,053</u>	<u>\$ 1,053,071</u>	<u>\$ (17)</u>
Derivatives ※2	<u>\$ (23)</u>	<u>\$ (23)</u>	<u>\$ —</u>

※1 Allowance for doubtful accounts is deducted from Notes and accounts receivable-trade and electronically recorded monetary claims.

※2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

(b) Financial Instruments whose Fair Value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Shares of subsidiaries and related companies	¥ 294	¥ 1,306	\$ 11,770
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,384	¥ 1,341	12,086
Guarantee deposits that do not have a quoted market price in an active market	243	334	3,015

(5) *Redemption Schedule of Monetary Assets and Securities with Contractual Maturities*

March 31, 2018

	Millions of Yen			
	Over 1 year		Over 5 years	
	Within 1 year	within 5 years	within 10 years	Over 10 years
Cash and bank deposits	¥ 30,803	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	45,809	—	—	—
Electronically recorded monetary claims	4,032	—	—	—
Securities with maturities	99	—	—	—
Investment securities with maturities	—	7	94	—
Guarantee deposits	9	4	126	191
Total	¥ 80,754	¥ 11	¥ 221	¥ 191

March 31, 2019

		Millions of Yen			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	¥	35,003	¥ —	¥ —	¥ —
Notes and accounts receivable-trade		96,145	—	—	—
Electronically recorded monetary claims		5,361	—	—	—
Investment securities with maturities		—	27	89	—
Guarantee deposits		41	134	1	191
Total	¥	136,552	¥ 161	¥ 91	¥ 191

		Thousands of U.S. Dollars			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	\$	315,376	\$ —	\$ —	\$ —
Notes and accounts receivable-trade		866,252	—	—	—
Electronically recorded monetary claims		48,308	—	—	—
Investment securities with maturities		—	243	810	—
Guarantee deposits		375	1,208	16	1,721
Total	\$	1,230,313	\$ 1,452	\$ 826	\$ 1,721

(6) *The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2018 and 2019 is as follows:*

March 31, 2018

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	4,117	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,268	1,278	1,247	635	—	—
Total	¥	5,385	¥ 1,278	¥ 1,247	¥ 635	¥ —	¥ —

March 31, 2019

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	29,376	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		1,280	1,247	635	—	—	—
Total	¥	30,656	¥ 1,247	¥ 635	¥ —	¥ —	¥ —

		Thousands of U.S. Dollars					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	\$	264,674	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		11,535	11,235	5,725	—	—	—
Total	\$	276,209	\$ 11,235	\$ 5,725	\$ —	\$ —	\$ —

9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2018 and 2019 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Unrealized gains included in net income for the year	¥ 6	¥ 66	\$ 600

(2) Investment securities with a readily determinable fair value

March 31, 2018

	Millions of Yen		
	Carrying amount	Acquisition Cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 5,101	¥ 2,379	¥ 2,722
Government and corporate bonds	10	10	0
Others	156	149	6
Subtotal	¥ 5,268	¥ 2,538	¥ 2,729
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	795	1,032	(236)
Government and corporate bonds	84	102	(18)
Others	860	982	(122)
Subtotal	¥ 1,740	¥ 2,117	¥ (377)
Total	¥ 7,008	¥ 4,656	¥ 2,352

Note:

Non-marketable equity securities of ¥1,318 million, and Investments in associated companies of ¥66 million are not included in the above because it is not practicable to estimate their fair value due to their market price information not being available.

March 31, 2019

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 3,714	¥ 1,546	¥ 2,168
Government and corporate bonds	10	10	0
Others	261	232	28
Subtotal	¥ 3,987	¥ 1,789	¥ 2,197
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	2,560	2,988	(428)
Government and corporate bonds	89	102	(12)
Others	800	856	(56)
Subtotal	¥ 3,450	¥ 3,947	¥ (497)
Total	¥ 7,437	¥ 5,736	¥ 1,700

	Thousands of U.S. Dollars		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	\$ 33,471	\$ 13,931	\$ 19,539
Government and corporate bonds	93	90	3
Others	2,357	2,097	260
Subtotal	<u>\$ 35,922</u>	<u>\$ 16,119</u>	<u>\$ 19,803</u>
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	23,068	26,930	(3,861)
Government and corporate bonds	810	923	(112)
Others	7,208	7,715	(506)
Subtotal	<u>\$ 31,088</u>	<u>\$ 35,568</u>	<u>\$ (3,552)</u>
Total	<u>\$ 67,010</u>	<u>\$ 51,688</u>	<u>\$ 15,322</u>

Note:

Non-marketable equity securities of ¥1,184 million (US\$ 10,668 thousands), Investments in associated companies of ¥157 million (US\$ 1,418 thousands), and Shares of subsidiaries and related companies of ¥ 1,306 million (US\$ 11,770 thousands) are not included in the above because it is not practicable to estimate their fair value due to difficulty in estimating fair value as market price is not available.

(3) Investment securities sold during 2018 and 2019

March 31, 2018

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 1,105	¥ 591	¥ (0)
Government and corporate bonds	—	—	—
Others	152	0	(23)
Total	<u>¥ 1,258</u>	<u>¥ 591</u>	<u>¥ (24)</u>

March 31, 2019

	Millions of Yen		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	¥ 522	¥ 215	¥ (2)
Government and corporate bonds	—	—	—
Others	—	—	—
Total	<u>¥ 522</u>	<u>¥ 215</u>	<u>¥ (2)</u>

	Thousands of U.S. Dollars		
	Amounts sold	Gains on sales	Loss on sales
Investment securities	\$ 4,708	\$ 1,941	\$ (25)
Government and corporate bonds	—	—	—
Others	—	—	—
Total	<u>\$ 4,708</u>	<u>\$ 1,941</u>	<u>\$ (25)</u>

(4) Impairment losses recognized on Investment securities are as follows:

Millions of Yen		Thousands of U.S. Dollars
2018	2019	2019
¥ 269	¥ 550	\$ 4,960

10. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Applied

(1) Currency related transactions

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2018</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 1,366	¥ —	¥ 8
Selling CNY	Receivables	157	—	(1)
Buying US\$	Payables	1,965	—	(30)
Buying Euro	Payables	1	—	(0)
Total		<u>¥ 3,491</u>	<u>¥ —</u>	<u>¥ (23)</u>

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2019</u>	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	¥ 930	¥ —	¥ (6)
Selling CNY	Receivables	58	—	0
Buying US\$	Payables	2,025	—	8
Total		<u>¥ 3,014</u>	<u>¥ —</u>	<u>¥ 2</u>

		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
	<u>Hedged Item</u>			
Foreign currency forward contracts:				
Selling US\$	Receivables	\$ 8,379	\$ —	\$ (57)
Selling CNY	Receivables	528	—	2
Buying US\$	Payables	18,252	—	76
Total		<u>\$ 27,160</u>	<u>\$ —</u>	<u>\$ 21</u>

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions. The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(2) Interest related transactions

For the year ended March 31, 2018

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 1,356	¥ 968	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

For the year ended March 31, 2019

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen, Thousands of U.S. Dollars		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 968 (\$ 8,728)	¥ 581 (\$ 5,236)	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

11. RETIREMENT BENEFITS

(1) Outline of retirement benefits plans

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. The defined benefit plans and lump-sum payment plans of some of the consolidated subsidiaries are calculated using simplified methods.

(2) Defined benefit pension plans

(a) Changes in the retirement benefit obligation for the years ended March 31, 2018 and 2019 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Retirement benefit obligation at the beginning of the year	¥ 4,174	¥4,522	\$ 40,747
Increase from newly consolidated subsidiary	—	2,016	18,167
Service cost	307	344	3,105
Interest cost	19	23	213
Actuarial gains (losses)	88	80	726
Benefits paid	(69)	(227)	(2,050)
Others	1	(0)	(2)
Retirement benefit obligation at the end of the year	<u>¥ 4,522</u>	<u>¥6,760</u>	<u>\$ 60,906</u>

(b) Changes in the plan assets for the years ended March 31, 2018 and 2019 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Plan assets at fair value at the beginning of the year	¥ 3,558	¥ 3,868	\$ 34,853
Increase from newly consolidated subsidiary	—	1,733	15,620
Expected return on plan assets	77	113	1,019
Actuarial gains (losses)	(36)	61	550
Contributions by the employer	338	373	3,365
Benefits paid	(69)	(225)	(2,027)
Others	(0)	(6)	(59)
Plan assets at fair value at the end of the year	<u>¥ 3,868</u>	<u>¥ 5,918</u>	<u>\$ 53,321</u>

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2018 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net defined benefit liabilities at the beginning of the year	¥ 1,053	¥ 1,083	\$ 9,760
Increase from newly consolidated subsidiary	—	48	434
Retirement benefit expenses	140	138	1,250
Retirement benefits paid	(97)	(101)	(912)
Contributions to plan	(13)	(13)	(122)
Net defined benefit liabilities at the end of the year	<u>¥ 1,083</u>	<u>¥ 1,155</u>	<u>\$ 10,410</u>

- (d) Reconciliation between the funded status of the plans (retirement benefit obligation and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2018 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Retirement benefit obligation of funded plans	¥ 4,962	¥ 7,184	\$ 64,728
Plan assets	<u>(3,997)</u>	<u>(6,044)</u>	<u>(54,462)</u>
	965	1,139	10,266
Retirement benefit obligation of unfunded plans	<u>772</u>	<u>857</u>	<u>7,729</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,737</u>	<u>¥ 1,997</u>	<u>\$ 17,995</u>
Net defined benefit liabilities	<u>1,737</u>	<u>1,997</u>	<u>17,995</u>
Net liabilities recorded in the consolidated balance sheet	<u>¥ 1,737</u>	<u>¥ 1,997</u>	<u>\$ 17,995</u>

- (e) Components of retirement benefit expenses for the years ended March 31, 2018 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Service cost	¥ 307	¥ 329	\$ 2,970
Interest cost	19	23	212
Expected return on plan assets	(77)	(112)	(1,014)
Amortization of actuarial loss	51	39	355
Amortization of prior service cost	48	—	—
Redundancy pay	15	7	64
Others	<u>7</u>	<u>4</u>	<u>40</u>
Retirement benefit expenses for defined benefit pension plans	<u>¥ 373</u>	<u>¥ 291</u>	<u>\$ 2,628</u>

- (f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2018 and 2019 are as follows:

Components of remeasurements of defined benefit obligations, net of tax before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Prior service cost	¥ 48	¥ —	\$ —
Actuarial gains and losses	<u>(74)</u>	<u>13</u>	<u>125</u>
Total	<u>¥ (25)</u>	<u>¥ 13</u>	<u>\$ 125</u>

(g) Remeasurements of defined benefit obligations as of March 31, 2018 and 2019 are as follows:

Components of remeasurements of accumulated defined benefit obligations before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gains or losses	<u>300</u>	<u>310</u>	<u>2,800</u>
Total	<u>¥ 300</u>	<u>¥ 310</u>	<u>\$ 2,800</u>

(h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	<u>2018</u>	<u>2019</u>
General accounts	96.08%	97.56%
Other	<u>3.92%</u>	<u>2.44%</u>
Total	<u>100%</u>	<u>100%</u>

Determining expected long-term rate of return

In determining the long-term rate of return for plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

(i) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations using the weighted average method

	<u>2018</u>	<u>2019</u>
Discount rate	0.35%	0.29~0.42%
Expected long-term rate of return	2.20%	1.20~2.50%

(3) Defined contribution pension plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	<u>2018</u>	<u>2019</u>	<u>2019</u>
	¥ 190	¥ 330	\$ 2,977

12. INCOME TAXES

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2018 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 260	¥ 514	\$ 4,633
Retirement benefits for directors and corporate auditors	392	30	272
Retirement benefits for directors (and other officers)	—	427	3,853
Allowance for doubtful accounts	199	185	1,673
Accrued bonuses	496	685	6,176
Net defined benefit liability	538	618	5,570
Tax loss carryforwards	1,076	1,137	10,245
Devaluation of inventories	98	509	4,586
Impairment loss	185	181	1,637
Others	947	1,473	8,914
Sub-total	4,195	5,763	39,495
Less valuation allowance of tax loss carryforwards	—	(697)	(6,284)
Deductive temporary differences	—	(2,084)	(18,785)
Less valuation allowance—total	(2,242)	(2,782)	(25,069)
Deferred tax assets—total	1,953	2,981	26,858
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(1,488)	(1,921)	(17,311)
Unrealized gain on property and equipment	(72)	(86)	(782)
Unrealized gain on available-for-sale securities	(839)	(661)	(5,959)
Advanced depreciation on fixed assets	(165)	(195)	(1,763)
Others	(134)	(123)	(1,108)
Deferred tax liabilities—total	(2,699)	(2,988)	(26,925)
Net deferred tax assets	¥ (746)	¥ (7)	\$ (66)

(Note)

1. The less valuation allowance increased by ¥539 (US\$4,860 thousands) million compared to last year. The main reason is the acquisition of Fujitsu Electronics stock.

2. Tax loss carryforwards and the amount of deferred tax assets by carry forward.

March 31, 2019

	Millions of Yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	¥ —	¥ 0	¥ 1	¥ 18	¥ 135	¥ 980	¥ 1,137
Less valuation allowance	—	—	—	—	(55)	(641)	(697)
Deferred tax assets	—	0	1	18	80	338	439

	Thousands of U.S. Dollars						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	\$ —	\$ 5	\$ 13	\$ 170	\$ 1,223	\$ 8,832	\$ 10,245
Less valuation allowance	—	—	—	—	(500)	(5,783)	(6,284)
Deferred tax assets	—	5	13	170	722	3,049	3,961

※Tax loss carryforwards are multiplied by the tax rate.

(2) A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2018 and 2019 is as follows:

	<u>2018</u>	<u>2019</u>
Effective statutory tax rate	30.9%	30.6%
Expenses not deductible for income tax purposes	1.7	1.3
Tax benefits not recognized on operating losses of subsidiaries	(3.2)	(10.8)
Difference in tax rates of foreign subsidiaries	(6.8)	(5.7)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	3.6	2.5
Change in valuation allowances	1.5	4.5
Impact of adoption of consolidated tax payment system	—	(6.9)
Others, net	<u>2.3</u>	<u>1.1</u>
Actual effective tax rate	<u>30.0</u>	<u>16.6</u>

13. BUSINESS COMBINATIONS

1. Overview of Business Combination

(1) Name of Acquired Company and Description of its Business

Name of Acquired Company: Fujitsu Electronics co., Ltd

Description of its Business: Sales of electronic components, electronic devices, etc.

(2) Reason for conducting business combination

Since our establishment, our business has expanded to respond to the various needs of our customers based on the “Everything we do is for our customers” business philosophy. The business domain includes the sale of electronic components and semiconductors as an independent electronics general trading company, the Electronic Manufacturing Services (EMS) business that specializes in a wide variety of high mix, low volume products as well as the information equipment business. We offer a variety of services both domestically and abroad.

The current business environment surrounding electronics trading companies is seeing the restructuring and integration of semiconductor and device manufacturers on the supplier side, the review of the agency policy, the shift to overseas production of assembled finished products based on customers' judgments, supply and demand changes and price fluctuations in domestic and foreign markets. Furthermore, the pace of environmental change is accelerating, including the shortening of product life cycles due to the progress of technological innovation, and it is recognized that competition among companies in the electronics trading industry, where there are still many competitors, will become increasingly severe in the future.

Under these circumstances, the Company formulated “Mid-term Business Plan 2018” (announced on November 4, 2015), and positioned “establishment of profit-oriented management” as the most important objective. We are working to expand sales of EMS and expand our EMS business particularly in overseas markets. The acquisition of Fujitsu Electronics shares is part of the growth strategy described in the medium-term business plan, and is expect to support the following objectives:

(a) Expand share in the electronic components and semiconductor business

By mutually complementing our trading products and sales channels in Japan and overseas at Fujitsu and Fujitsu Electronics, we aim to strengthen our ability to respond to customer needs and expand our share in the electronic components and semiconductor business.

(b) Expansion of EMS business scale

By sharing the broad customer base, of Fujitsu Electronics, on top of our global network of EMS bases, we aim to achieve rapid growth in our high value-added EMS business.

(c) Further improving management efficiency associated with business collaboration between the two companies

We will work to improve the profitability of both companies by optimizing the sales-related organizations and functions of the Company and Fujitsu Electronics and maximizing their mutual utilization.

Through the acquisition of these shares, the Company now forms a corporate group with annual sales of ¥ 500 billion and solidifies its position as “Japan’s No. 1 corporate group in the industry” as targeted in the

medium-term management plan. We will continue to work to improve the scale and quality of our management group in order to grow further as a “global-class company” that can compete with trillion yen competitors from overseas.

- (3) Business combination date
January 1, 2019
- (4) Legal form of business combination
Acquisition of shares for cash consideration
- (5) Name of company after combination
Fujitsu Electronics Co., Ltd
- (6) Ratio of voting rights acquired
70.0%
- (7) Main reasons for deciding on the acquirer
Because the Company acquired shares for cash
2. Period of performance of acquired company included in consolidated financial statements
From January 1, 2019 to March 31, 2019
3. Breakdown of acquisition costs and types of consideration for acquired company
Acquisition price Cash ¥15,410 million (US\$ 138,842 thousands)
4. Content and amount of major acquisition-related expenses
Remuneration, fee, etc. for Advisory ¥185 million (US\$ 1,669 thousands)
5. Amount and cause of gain on negative goodwill
 - (1) Amount of gain on negative goodwill
¥2,164 million (US\$ 19,500 thousands)
 - (2) Reason of occurrence
As the market value at the time of acquisition of shares of the acquired company exceeded the acquisition cost, the difference was recognized as gain on negative goodwill.
6. Amount of assets accepted and liabilities assumed on business combination date and main breakdown

Current assets	¥89,442 million	(US\$ 805,856 thousands)
Noncurrent assets	3,735 million	(33,658 thousands)
Total assets	93,177 million	(839,515 thousands)
Current liabilities	66,864 million	(602,440 thousands)
Noncurrent Liabilities	1,206 million	(10,870 thousands)
Total Liabilities	68,071 million	(613,311 thousands)
7. Allocation of acquisition costs
At the end of the current consolidated fiscal year, identification of identifiable assets and liabilities at the business combination date, calculation of market values, and allocation of acquisition costs have not yet been completed, so provisional accounting is recorded based on the above best available information.
8. Estimated amount of impact on consolidated statement of income for the current consolidated fiscal year and assuming that business combination was completed on the start date of consolidated fiscal year and its calculation method
It is not shown because it is difficult to calculate the estimated amount in the current consolidated fiscal year.

14. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group has four reporting segments that are made of different categories of products and services: electronic components, information equipment, software and other. The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The other segment includes the fix and support of electronic components, the manufacture and sale of amusement equipment, sales of sports goods and other activities.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2., "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

(3) Information about sales, profit (loss), assets and other items is as follows:

Millions of Yen								
2018								
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
	Electronic Components	Information Equipment	Soft- ware	Other	Total			
Sales:								
Sales to external customers	¥ 172,248	¥ 47,582	¥ 2,568	¥ 13,522	¥ 235,921	¥ —	¥ 235,921	
Inter segment sales or transfers	1,610	1,242	855	1,442	5,152	(5,152)	—	
Total sales	¥ 173,859	¥ 48,825	¥ 3,424	¥ 14,965	¥ 241,074	¥ (5,152)	¥ 235,921	
Segment profit (loss)	¥ 5,312	¥ 2,202	¥ 172	¥ 308	¥ 7,996	¥ 123	¥ 8,119	
Segment assets	112,426	14,532	1,845	9,191	137,996	(9,240)	128,755	
Others:								
Depreciation	916	63	91	92	1,165	(8)	1,157	
Increase in-property, plant and equipment and intangible assets	1,699	77	42	316	2,135	(96)	2,039	

Millions of Yen								
2019								
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)	
	Electronic Components	Information Equipment	Soft- ware	Other	Total			
Sales:								
Sales to external customers	¥ 22,598	¥ 44,344	¥ 2,876	¥ 19,959	¥ 292,779	¥ —	¥ 292,779	
Inter segment sales or transfers	2,855	1,004	697	4,450	9,007	(9,007)	—	
Total sales	¥ 228,454	¥ 45,349	¥ 3,574	¥ 24,409	¥ 301,787	¥ (9,007)	¥ 292,779	
Segment profit (loss)	¥ 4,761	¥ 1,906	¥ 247	¥ 490	¥ 7,406	¥ 163	¥ 7,570	
Segment assets	197,476	14,951	1,859	11,482	225,769	(12,008)	213,761	
Others:								
Depreciation	1,182	58	69	103	1,413	(7)	1,406	
Increase in-property, plant and equipment and intangible assets	2,338	40	66	1,087	3,533	(84)	3,448	

Thousands of U.S. Dollars							
2019							
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 2,032,605	\$ 399,540	\$ 25,919	\$ 179,829	\$ 2,637,894	\$ —	\$ 2,637,894
Inter segment sales or transfers	<u>25,727</u>	<u>9,046</u>	<u>6,284</u>	<u>40,096</u>	<u>81,156</u>	<u>(81,156)</u>	<u>—</u>
Total sales	<u>\$ 2,058,333</u>	<u>\$ 408,587</u>	<u>\$ 32,203</u>	<u>\$ 219,926</u>	<u>\$ 2,719,050</u>	<u>\$ (81,156)</u>	<u>\$ 2,637,894</u>
Segment profit (loss)	\$ 42,904	\$ 17,179	\$ 2,226	\$ 4,421	\$ 66,732	\$ 1,475	\$ 68,207
Segment assets	1,779,228	134,708	16,750	103,455	2,034,143	(108,193)	1,925,949
Others:							
Depreciation	10,653	530	621	928	12,733	(65)	12,668
Increase in-property, plant and equipment and intangible assets	21,071	360	597	9,802	31,832	(762)	31,069

Note: 1. The adjustment for segment operating income is as follows:

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Elimination of inter-segment trade	¥ 123	¥ 163	\$ 1,475
Amortization of goodwill	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>¥ 123</u>	<u>¥ 163</u>	<u>\$ 1,475</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Elimination of inter-segment trade	¥ (11,460)	¥ (14,111)	\$ (127,139)
Reconciliations	<u>2,219</u>	<u>2,102</u>	<u>18,945</u>
Total	<u>¥ (9,240)</u>	<u>¥ (12,008)</u>	<u>\$ (108,193)</u>

Note: Total corporate assets principally consist of surplus funds of the Companies under management (cash and securities).

(3) Depreciation and amortization

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Elimination of inter-segment trade	¥ (8)	¥ (7)	\$ (65)
Total	<u>¥ (8)</u>	<u>¥ (7)</u>	<u>\$ (65)</u>

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Elimination of inter-segment trade	¥ (96)	¥ (84)	\$ (762)
Total	¥ (96)	¥ (84)	\$ (762)

2. Segment income is adjusted for operating income in the consolidated statement of income and comprehensive income.

Associated Information

For the year ended March 31, 2018

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2018				
Japan	North America	Europe	Asia	Total
¥ 149,024	¥ 8,628	¥ 4,034	¥ 74,234	¥ 235,921

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2018				
Japan	North America	Europe	Asia	Total
¥ 8,422	¥ 260	¥ 192	¥ 3,335	¥ 12,210

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: the United States, the United Mexican States
- (2) Europe: United Kingdom, Czech Republic, and Russia
- (3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India and Indonesia

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

For the year ended March 31, 2019

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2019				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥ 180,306	¥ 13,078	¥ 9,903	¥ 89,492	¥ 292,779

Thousands of U.S. Dollars				
2019				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 1,624,524	\$ 117,835	\$ 89,225	\$ 806,308	\$ 2,637,894

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2019				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
¥10,318	¥ 519	¥ 227	¥ 3,946	¥ 15,011

Thousands of U.S. Dollars				
2019				
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
\$ 92,965	\$ 4,677	\$ 2,051	\$ 35,553	\$ 135,248

- Notes: 1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
- (1) North America: the United States, the United Mexican States
 - (2) Europe: United Kingdom, Czech Republic and Russia
 - (3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia and Vietnam

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

Information of impairment loss on fixed assets of reportable segments

For the year ended March 31, 2018

Millions of Yen					
2018					
Reportable Segment					
	Electronic Components	Information Equipment	Soft- ware	Other	Total
Impairment loss	¥ 228	¥ —	¥ —	¥ 0	¥ 228

For the year ended March 31, 2019

		Millions of Yen				
		2019				
		Reportable Segment				
		Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss		¥ 22	¥ —	¥ —	¥ 9	¥ 31

		Thousands of U.S. Dollars				
		2019				
		Reportable Segment				
		Electronic Components	Information Equipment	Soft-ware	Other	Total
Impairment loss		\$ 199	\$ —	\$ —	\$ 81	\$ 281

Information of amortization of goodwill and balance of goodwill of reportable segments

For the year ended March 31, 2018

		Millions of Yen					
		Reportable Segment					
		Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year	¥ 85	¥ —	¥ 3	¥ —	¥ 88	¥ —	¥ 88
Balance of goodwill at the end of fiscal year	312	—	5	—	317	—	317

For the year ended March 31, 2019

		Millions of Yen					
		Reportable Segment					
		Electronic Components	Information Equipment	Soft-Ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year	¥ 81	¥ —	¥ 3	¥ —	¥ 85	¥ —	¥ 85
Balance of goodwill at the end of fiscal year	258	—	1	—	259	—	259

		Thousands of U.S. Dollars					
		Reportable Segment					
		Electronic Components	Information Equipment	Soft-ware	Other	Total	Recon-ciliations
Amortization of goodwill for fiscal year	\$ 736	\$ —	\$ 31	\$ —	\$ 767	\$ —	\$ 767
Balance of goodwill at the end of fiscal year	2,325	—	15	—	2,340	—	2,340

Information of gain on negative goodwill by reportable segments

For the year ended March 31, 2018

No significant items to be reported.

For the year ended March 31, 2019

In the Electric Components segment the Company recorded a ¥2,164 million (\$19,500 thousands) gain on negative goodwill of a subsidiary, Fujitsu Electronics which shares were acquired on January 1, 2019.

15. RELATED PARTY TRANSACTIONS

(1) Principal transactions between the Company and its related party

For the year ended March 31, 2018

Principal transactions between the Company and its related party for the year ended March 31, 2018 are summarized as follows:

(Amount unit: Millions of yen)

Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2018
Major stockholder	Sankyo Co., Ltd.	Shibuya -ku, Tokyo	¥14,840	Manufacturing and sales of game machines	Owned directly 13.97%	Sales of finished products	Sales of finished products (Note)	¥7,877	Electronicall- y recorded monetary claims	¥2,053
									Accounts receivable	¥1,008

Note:

Trade condition and policy

Sales contracts are entered into between Sankyo and the Company, and the sales price of products is determined based on the discussions between those two parties.

For the year ended March 31, 2019

Principal transactions between the Company and its related party for the year ended March 31, 2019 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name	Head Office	Capital Stock	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2019
Major stockholder	Sankyo Co., Ltd.	Shibuya -ku, Tokyo	¥14,840 (\$133,705)	Manufacturing and sales of game machines	Owned directly 13.96%	Sales of finished products	Sales of finished products (Note)	¥6,230 (\$56,137)	Electronicall- y recorded monetary claims	¥1,402 (\$12,633)
									Accounts receivable	¥821 (\$7,401)

Note:

Trade condition and policy

Sales contracts are entered into between Sankyo Co., Ltd. and the Company, and the sales price of products is determined based on the discussions between those two parties.

(2) Principal transactions between the Company's director and its related party

For the year ended March 31, 2018

Principal transactions between the Company's director and its related party for the year ended March 31, 2018 are summarized as follows:

(Amount unit: Millions of yen)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2018
Director	Isao Tsukamoto	—	—	Founder and CEO	Owned directly 2.69% indirectly 6.72%	—	Purchase of shares of subsidiaries (Note1)	¥11	—	—
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥74	Management of restaurant and convenience store	—	Interlocking directorate	Management of in-house store (Note2)	¥14	—	—

Notes: 1. The price used for purchase of shares of subsidiaries is the same as which a third party purchased the same shares on the same day.

2. The Company concluded the contract transaction at a price equivalent to market price.

For the year ended March 31, 2019

Principal transactions between the Company's director and its related party for the year ended March 31, 2019 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2019
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥74 (\$671)	Management of restaurant and convenience store	—	Interlocking directorate	Management of in-house store (Note2)	¥12 (\$115)	—	—

Notes: The Company concluded the contract transaction at a price equivalent to market price.

16. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2018	2019	2019
Net assets per share	¥ 2,571.79	¥ 2,790.97	\$ 25.15
Net income per share	236.58	292.07	2.63

Notes 1. Diluted net income per share has not been disclosed because there were no potentially dilutive Shares.

2. The basis for computation of net income per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net income per share			
Profit attributable to owners of the parent	¥ 6,490	¥ 8,014	\$ 72,208
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	6,490	8,014	72,208
Average number of common stock outstanding during the fiscal year (Share)	27,435,139	27,439,524	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	—	—	

3. The basis for computation of net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net assets per share			
Total net assets	¥ 70,631	¥ 84,259	\$ 759,160
Amount deducted from total net assets (Non-controlling interests)	75 (75)	7,654 (7,654)	68,969 (68,969)
Net assets corresponding to common stock at the end of the fiscal year	70,556	76,604	690,191
Number of common stock shares used for the calculation of net assets per share (Share)	27,434,725	27,447,194	

17. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

18. CONSOLIDATED SUPPLEMENTARY SCHEDULE

(1) Schedule of bonds

Not applicable.

(2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars	Interest rate (%)	Maturity
	Balance as of April 1, 2018	Balance as of March 31, 2019	Balance as of March 31, 2019		
Short-term loans payable	¥ 4,117	¥ 29,376	\$ 264,674	0.73%	—
Current portion of long-term loans payable	1,268	1,280	11,535	0.77%	—
Current portion of lease obligations	118	116	1,046	2.20%	—
Long-term loans payable (excluding current portion)	3,161	1,882	16,960	0.70%	2020 to 2021
Lease obligations (excluding current portion)	235	196	1,770	2.31%	2020 to 2023
Other interest-bearing debt	—	—	—	—	—
Total	¥ 8,900	¥ 32,851	\$ 295,987		

Notes:

- Interest rates are stated at weighted average interest rates based on the average balance of borrowings for the year.
- The repayment schedule of long-term loans payable and lease obligations (excluding current portion) per year for 5 years subsequent to March 31, 2019 is summarized as follows:

Category	Millions of Yen			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	¥ 1,247	¥ 635	¥ —	¥ —
Lease obligations	96	61	30	9
Total	¥ 1,343	¥ 696	¥ 30	¥ 9

Category	Thousands of U.S. Dollars			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	\$ 11,235	\$ 5,726	\$ —	\$ —
Lease obligations	865	552	271	83
Total	\$ 12,100	\$ 6,277	\$ 271	\$ 83

(3) Schedule of asset retirement obligations

According to the Article 92-2 of the “Regulations for Consolidated Financial Statements,” schedule of asset retirement obligations are abbreviated, as the amount of “asset retirement obligations” is less than 1 percent of the total amount of liabilities and net assets.