ShinDengen

New power. Your power.

www.shindengen.com/

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Shindengen Electric Manufacturing Co., Ltd.

ANNUAL REPORT 2018

Year Ended March 31, 2018

Annual Report 2018

ShinDengen

New power. Your power.

Our Mission

Maximizing energy conversion efficiency for the benefit of humanity and society

"Maximizing energy conversion efficiency for the benefit of humanity and society" is the corporate mission of Shindengen Electric Mfg. Co., Ltd. As a specialized power electronics manufacturer, the Company develops, manufactures and sells high-efficiency, low-noise semiconductors as well as car electronics and power system products that use these semiconductors.

Shindengen's Core Technologies

Semiconductor Technologies

Circuit Technologies

Mounting Technologies

Contents

A Cautionary Note on Forward-Looking Statements

This annual report contains statements and information regarding the plans, prospects and strategies of the Shindengen Group that are forward-looking in nature and are not simply reiterations of historical fact. Such forward-looking statements and information involve known and unknown risks, uncertainties and other factors that could lead to outcomes that differ materially from those presented in this report. Readers are therefore cautioned not to overly rely on this information.

Board of Directors

Our Promise

Listen closely, look ahead, and create a future of value.

Throughout our history, we have listened closely to our customers, tried to foresee what's coming in society, and played a significant role in cultivating expertise in our field. This has always been the spirit of our company. Today and tomorrow, we will continue striving to integrate leading technology and our extensive experience into our company spirit so that we can deliver optimum value.

By rising to the challenge of realizing ever greater energy efficiency, we will help protect the natural environment. Through ever better products and systems, we will contribute to the growth of society and create a future that solves problems and benefits people.

President
Yoshinori Suzuki

1982	Joined Shindengen
1996	Managing Director, Shindengen Singapore Pte Ltd.
2007	General Manager, Electronic Device Sales Division, Electronic Device Division Group
2008	Officer; Deputy Division Director, Electronic Device Division Group
2009	Officer, Corporate Planning Group
2009	Director
2013	Division Director, Sales Division Group
2014	Executive Officer
2015	President, Shindengen Device Commerce Co., Ltd.
2016	President (current position)

Director and Senior Executive Officer
Yasumi Negishi

1982	Joined Shindengen
2004	Department Manager, Finance Department
2009	Department Manager, Personnel Department
2012	Director (current position) and Officer
2015	Senior Officer
2015	President, Shindengen Enterprise Co., Ltd.
2016	Executive Officer
2018	Senior Executive Officer (current position)

Director and Executive Officer
Kenji Horiguchi

1983	Joined Shindengen
2003	Associate General Manager, Advanced Power Products Division, Electronic Device Division Group
2005	General Manager, Advanced Power Products Division, Electronic Device Division Group
2008	General Manager, IC Development Center, Technology & Development Division Group
2009	Deputy Division Director, Technology & Development Center
2010	Officer and President, Higashine Shindengen Co., Ltd.
2013	Director (current position)
2016	Senior Officer
2018	Executive Officer (current position)

Director and Executive Officer
Nobuyoshi Tanaka

1985	Joined Shindengen
2006	Department Manager, Planning Department, Corporate Planning Group
2010	Department Manager, Administration Department, Electronic Device Management Division, Electronic Device Division Group
2011	Officer; Division Director, Electronic Device Division Group
2016	Senior Officer
2017	Director (current position)
2018	Executive Officer (current position)

Outside Director
Ichiro Yamada

1974	Joined Nippon Telegraph and Telephone Public Corporation
1985	Doctor of Engineering (University of Tokyo)
2002	Professor, University of Tokyo School of Engineering
2009	Vice President, University of Tokyo
2012	Professor, University of Tokyo Graduate School of Frontier Sciences
2014	Outside Director, Shindengen (current position)
2015	Professor Emeritus, University of Tokyo (current position)

Outside Director
Hideyuki Hashimoto

1991	Joined Chuo Shinkou Audit Corporation
1995	Registered as a certified public accountant
2000	Opened Hashimoto Public Accounting Office
2000	Registered as a certified tax accountant
2007	Joined BDO Toyo & Co.
2014	Partner, BDO Toyo & Co. (current position)
2015	Outside Director, Shindengen (current position)

Financial and Non-Financial Highlights

Results for Fiscal 2017

Net Sales
92,177
Millions of yen

Operating Income
6,854
Millions of yen

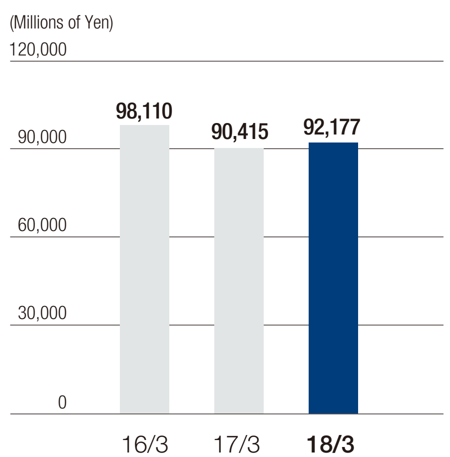
Profit
(attributable to owners of parent)
5,294
Millions of yen

Electric Power Consumption
135,372
Mwh

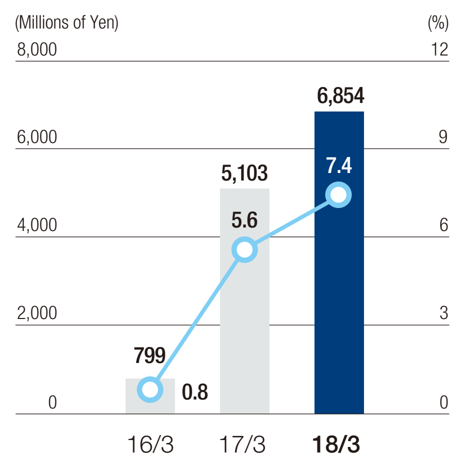
CO_2 Emissions
88,802
t-CO_2

Water Consumption
1,763
Thousand m^3

Net Sales

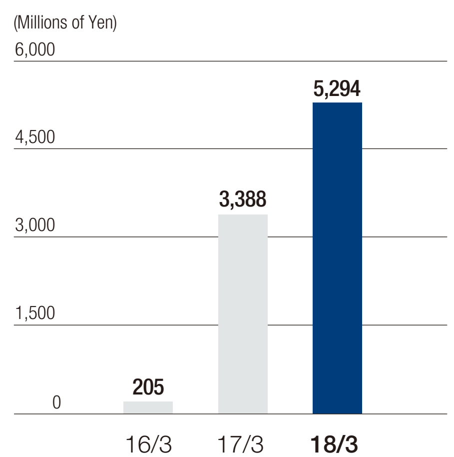


Operating Income and Operating Margin

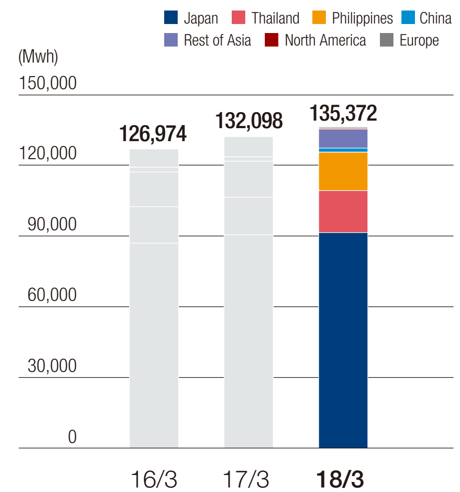


Profit

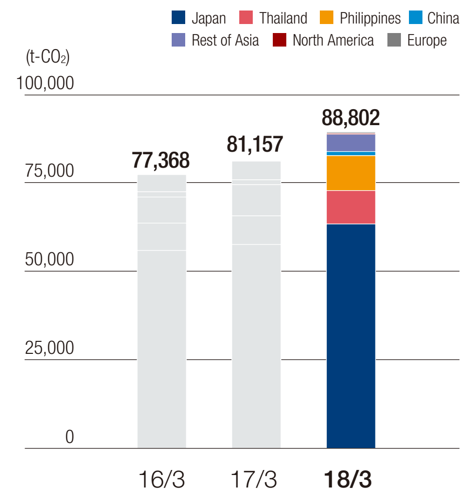
(attributable to owners of parent)



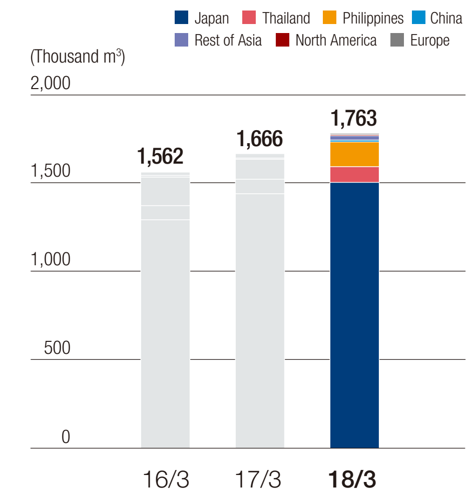
Electric Power Consumption



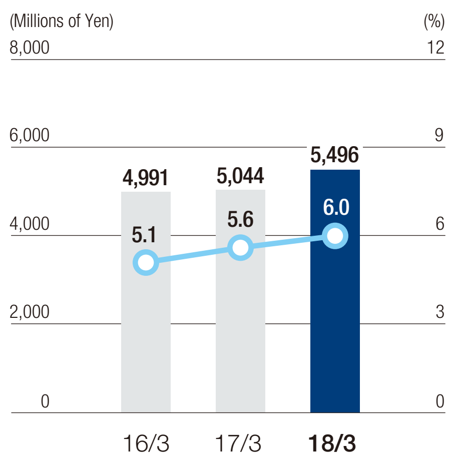
CO_2 Emissions



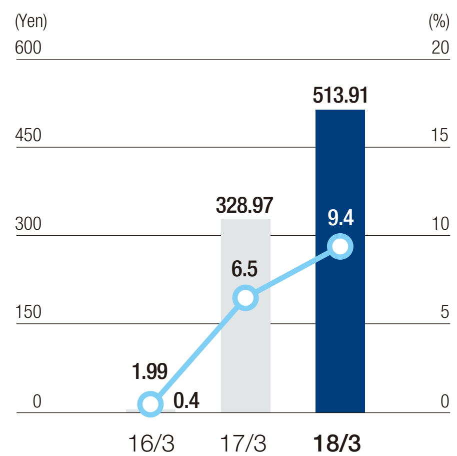
Water Consumption



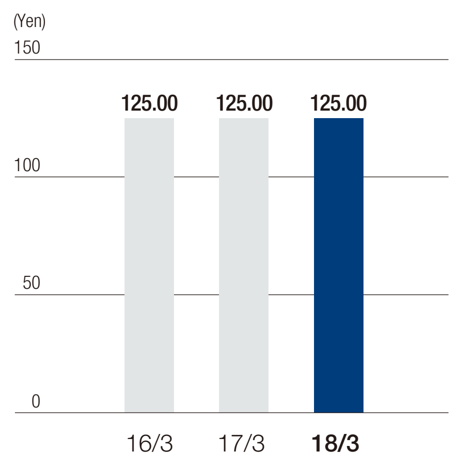
R&D Expenses and Ratio to Net Sales



EPS and ROE



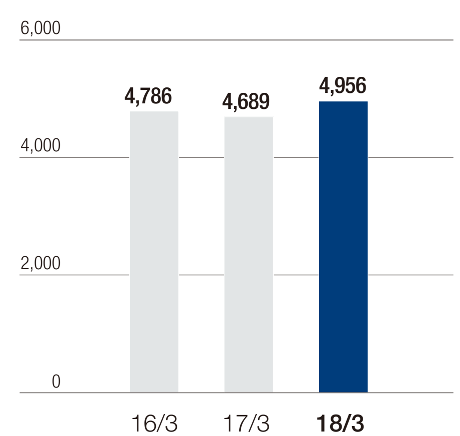
Cash Dividends per Share



* Shindengen executed a share consolidation effective October 1, 2017, at a ratio of 10 common shares to one. Per-share figures have been adjusted accordingly.

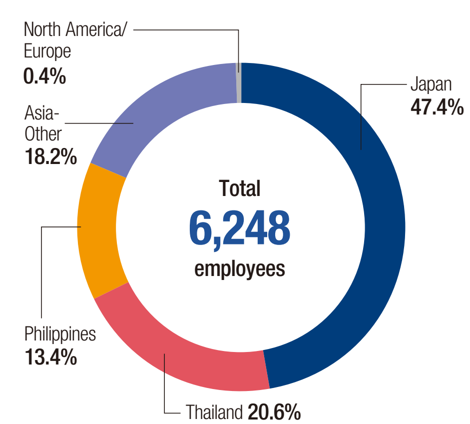
Number of Employees

(Only regular employees)



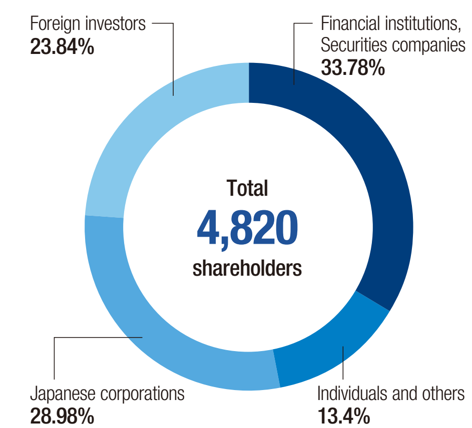
Employees by Region

(As of March 31, 2018)



Composition of Shareholders

(As of March 31, 2018)



Long-Term Vision for 2021

Accelerating into the advanced power component field and forging a high-gain business model.

Numerical Targets

FY2017 (Results)

- Net sales
  ¥92.2 billion
- Operating income margin
  7.4%
- ROE
  7.4%

Long-Term Vision FY2021 (Targets)

- Net sales
  ¥150 billion
- Operating income margin
  10.0% or above
- ROE
  10.0% or above

❶ **Fully utilizing our semiconductor technologies to accelerate into the advanced power component businesses**

Leveraging power semiconductors manufactured in-house, we will further evolve and strengthen the competitiveness of our car electronics and power system products, both of which fall under the category of components.

❷ **Creating a highly profitable business structure**

We will accelerate product development to speed up the new product launch cycle and create a highly profitable business structure.

❸ **Key markets**

In addition to the mobility, energy and industrial machinery markets, which we have previously outlined as growth markets, we will focus on the healthcare market, for a total of four key markets.

Key Markets

1 Mobility Market

Target Sectors
- Next-generation automobiles
- Next-generation automobile infrastructure

Strategic Products
- Power modules
- Power semiconductors/ICs
- Regulators
- DC/DC converters
- **ECUs**
- EV/PHEV chargers

For more information about

- ECUs, please refer to Growth Drivers on **pages 9-10**

2 Energy Market

Target Sectors
- Photovoltaic generation systems
- Fuel cells
- Communications equipment
- O&M business

Strategic Products
- Power modules
- Power semiconductors
- Power conditioners
- Communications equipment power supply

3 Industrial Machinery Market

Target Sectors
- Factory automation
- Machine tools
- Robots

Strategic Products
- Power modules
- Power semiconductors/ICs
- Inverters
- Ultra-compact power supply

4 Healthcare Market

Target Sectors
- Medical equipment
- Nursing care robots
- Support robots

Strategic Products
- Power modules
- Power semiconductors/ICs
- Inverters

Long-Term Vision for 2021

Growth Drivers

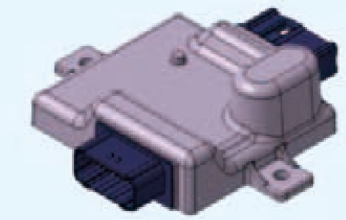
in the Indian Motorcycle Market

Shindengen regards the mobility market as a key market for medium- and long-term growth. In particular, the market in India is expanding markedly. The country boasts a population of more than 1.3 billion, with GDP per capita rapidly approaching US$2,000. Sales of motorcycles, one of Shindengen's key business areas, are expanding significantly, and demand growth in the market related to motor scooters has especially been a benefit to the Company. Compared with ASEAN countries, environmental regulations in India have lagged. Now faced with serious environmental problems, however, the country has begun to strengthen its regulatory standards. Viewing this shift as a growth driver for our businesses, we are working to prepare products that will satisfy the new regulations and to increase the capacity of our factory in India. The Indian motorcycle market provides prime examples of Shindengen's growth drivers.

Shindengen's Growth-Driving Products

Shindengen's advanced motorcycle engine control units (ECUs) are a key product driving growth. Specifically, these ECUs include fuel injection (FI) control, regulator, starter motor driver and other functions in module packages and are also equipped with such functions as idle stop. FI-ECUs help reduce motorcycle emissions, and motor scooters with such FI-ECUs are in widespread use across ASEAN countries, such as Thailand, Indonesia, and Vietnam.

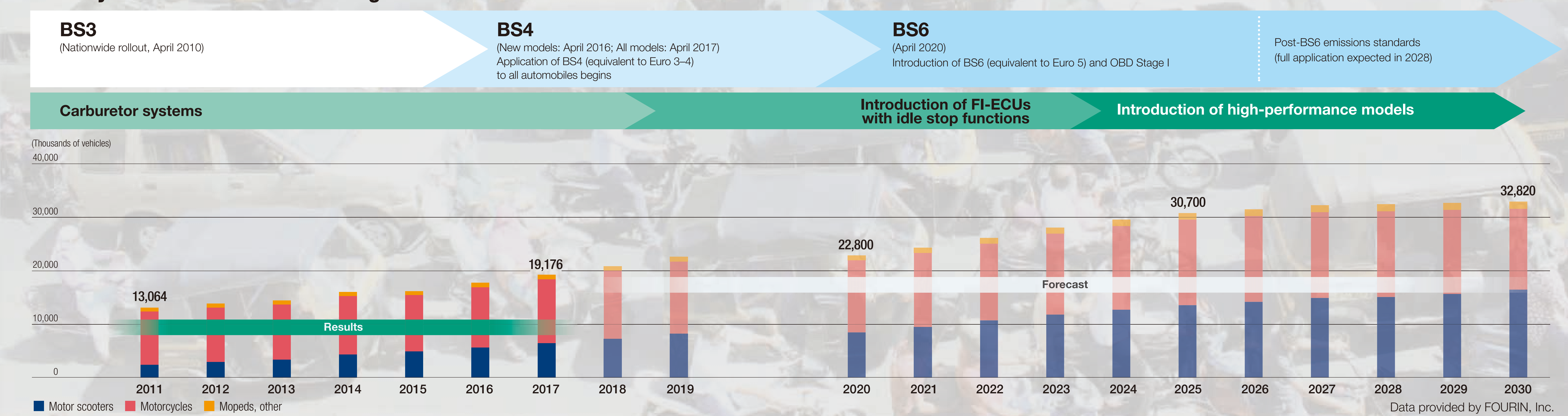
In the ASEAN region, the use of FI systems began to widely spread under such environmental regulations as Euro 3. In India, the standard scheduled to be adopted in 2020, known as BS6, is equivalent to Euro 5, two levels above Euro 3. The introduction of this standard, which includes tighter emissions regulations, is expected to accelerate the switch to FI systems.



Generally speaking, FI-ECUs electronically control the timing and amount of gasoline injected into the engine to optimize fuel economy. As mentioned above, Shindengen's FI-ECUs are also equipped with idle stop functions, helping reduce gas emissions.

The FI-ECUs that Shindengen sells in ASEAN countries are equipped with internal MOSFETs, giving them an edge. The FI-ECUs we plan to release in India will utilize newly developed internal power modules, rather than discreet devices. The use of modules enables the reduction of mounting area and improvement of heat dissipation, helping to achieve further size and weight reductions.

Motorcycle Sales and Emissions Regulations in the Indian Market



Data provided by FOURIN, Inc.

Interview with the President

By nurturing active communication, we can remove technological, manufacturing and management barriers and spark innovation. By actively investing, we will demonstrate Shindengen's strength.

Yoshinori Suzuki
President

Performance

Q1 Please tell us about Shindengen's fiscal 2017 results.

In fiscal 2017, the year ended March 31, 2018, the Shindengen Group recorded an increase in both sales and profit, with net sales of ¥92,177 million (up 1.9% year on year), operating income of ¥6,854 million (up 34.3% year on year), and ¥5,294 million in profit attributable to owners of the parent (up 56.2% year on year).

By segment, the Power Device segment saw increases in sales and profit, reflecting year-on-year expansion in power semiconductor demand in the key markets of automobiles, consumer electronics and industrial machinery. In the Car Electronics segment, mainstay Asian motorcycle markets were firm, and the depreciation of the yen worked in Shindengen's favor. As a result, sales and profit increased. However, in the Next Generation Energy segment, sales of power conditioners for use in photovoltaic generation once again declined, and sales of telecommunication power supply dropped sharply, leading to decreased sales and a wider segment operating loss. Because sales have contracted and are not expected to recover in the near future, the Next Generation Energy segment went through a structural shift to better suit the scale of its business and will be included in Other from fiscal 2018.

For more information about

- The Shindengen Group's scope of consolidation and Group companies, please refer to Management's Discussion and Analysis on **pages 28–30** and Network on **page 58**.
- Operating results by segment (excluding Other), please refer to Business Portfolio on **pages 15–16**.
- Operating results for the last five years, please refer to Five-Year Summary on **page 27**.

Strategy

Q2 Please describe Shindengen's progress under its long-term vision for fiscal 2021.

In 2016, we established a six-year long-term vision with the goal of creating a road map for future-oriented initiatives based on a longer-term perspective than that provided by our three-year medium term business plans. The long-term vision we decided on was to leverage our semiconductors to transition to power component businesses and build a high-gain business model. Specifically, we aim to use our semiconductors manufactured in-house as the key to further evolve our car electronics and power system products and accelerate product development and the new product release cycle. We positioned the 14th Medium Term Business Plan, covering the first three years of the vision, as a blueprint to build a foundation for growth leading up to 2021. We have now reached the final year of the 14th Medium Term Business Plan, and it is evident some things have changed.

Under the 14th Medium Term Business Plan, we set the target of ¥120,000 million in net sales in fiscal 2018. However, in our annual plans this year, we expect net sales of ¥96,700 million, below the ¥100,000 million threshold. The greatest factor pushing down sales has been the Next Generation Energy segment. The photovoltaic generation market has cooled more than originally anticipated, and growth in the energy storage market has lagged as well. At the same time, in the Car Electronics segment, actual conditions turned out to be very different from forecasts. For example, the Indonesian motorcycle market was at one point expected to grow to 8,000,000, then 10,000,000 motorcycles per year. Instead, it has stayed close to 6,000,000. Various other factors also had an impact, but we recognize that our market assumptions were somewhat overly optimistic. Where we stand now, we cannot realistically expect to reach the 14th Medium Term Business Plan's target of ¥120,000 million in net sales. We will, however, do our utmost to reach the plan's targets of a 6.0% operating income margin and 8.0% ROE.

For more information about

- The long-term vision (ending fiscal 2021), please refer to Long-Term Vision for 2021 on **pages 7–8**.

Q3 Please tell us about your forecast for fiscal 2018 and strategy going forward.

For fiscal 2018, we forecast consolidated net sales of ¥96,700 million (up 4.9% year on year), operating income of ¥5,800 million (down 15.4% year on year), and ¥4,800 million in profit attributable to owners of the parent (down 9.3% year on year).

In the Power Device segment, we expect an increase in sales, reflecting continued strength in the automobile and industrial machinery markets. However, because amortization will be considerably greater, reflecting drastically increased capital investment in the latter half of fiscal 2017 as well as capital investment carried out in fiscal 2018, the segment will see only a modest uptick in profit. In the Car Electronics segment, the Indian market for motorcycle

products continues to grow, but in the ASEAN region, we are keeping estimates somewhat conservative compared with the firm performance recorded in fiscal 2017. We forecast an increase in sales, but due to rises in depreciation and amortization, increasing R&D expenses, assumed exchange rates for Asian currencies and other factors, we expect a decrease in profit. Finally, regarding Other, the energy system business (formally the Next Generation Energy segment) was streamlined through the integration and co-management of its manufacturing subsidiary, eliminating structural and administrative redundancy. In addition, the energy system business's medium-to-long-term development team was moved to a corporate division outside the Other category. In fiscal 2018, we will work to improve productivity and, building on a year-on-year rebound in sales, achieve profitability in the energy system business.

One of our strategies going forward will be to continue moving away from our previous stance of self-sufficiency. For example, in the semiconductor business, doing everything in-house, from development to production, tends to drive up R&D expenses and capital investment. Instead, we will advance joint development with external research institutions and utilize foundries as needed. This kind of approach is not limited to technological alliances; to offer customers better proposals, we will actively build external alliances aimed at reinforcing such functions as marketing and distribution.

ESG

Q4 Please tell us your thoughts on effectively reinforcing governance and returning profits to shareholders.

To increase corporate value over the medium and long term, the Shindengen Group believes effective corporate governance is of utmost importance. In particular, we believe our top priorities must include constantly reinforcing the efficacy of the internal control system, which is the foundation of management, and improving the efficacy of decision-making bodies, such as the Board of Directors and Management Meeting.

Based on this approach, we conducted a survey of the directors and Audit & Supervisory Board members on the efficacy of the Board of Directors, and received more favorable results than in fiscal 2016. Turning to practical measures, to facilitate deeper discussions at Board of Directors meetings, we have executive officers in charge of areas related to the topics at hand attend and give detailed explanations, achieving a healthy sense of productive tension. Japan's recently amended Corporate Governance Code includes new items added to promote more substantive reinforcement of governance. At Shindengen, too, our outside directors and Audit & Supervisory Board members have voiced their high expectations regarding improving governance, and we will continue to move forward with discussions on the matter.

We continue to regard returning profits to shareholders as an important management issue. Our basic approach is to strive to increase earnings, maintain and enhance competitiveness, actively invest in growth, and raise our corporate value in order to steadily generate earnings that we can return to shareholders. Rather than precisely tracking the ups and downs of operating performance, we aim to pay stable dividends, so we hope you'll take a long-term view of our returns to shareholders. The fiscal 2017 per-share dividend was ¥125, unchanged from the previous fiscal year.* We forecast a per-share dividend of ¥125 for fiscal 2018, as well.

*Shindengen executed a share consolidation on October 1, 2017, at a ratio of 10 common shares to one. Per-share figures have been adjusted accordingly.

For more information about

• The corporate governance system, please refer to Corporate Governance on **pages 24–25**.

Q5 Please tell us about the Shindengen Group's environmental and social policies and initiatives.

The Shindengen Group defines its key stakeholders as its customers, shareholders, employees and business partners, as well as, more broadly, the environment and local communities. Based on this understanding, we strive to fulfill our CSR through our business activities.

We contribute to the environment by supplying eco-friendly products worldwide. Such products include power conditioners used in photovoltaic generation, EV/PHEV* chargers and fuel injection engine control units (FI-ECUs) with built-in idle-stop functions for motorcycles. In our business activities, we have set environmental targets related to saving energy, achieving zero emissions, managing chemical substances and conserving biodiversity. We evaluate and audit efforts in these areas every fiscal year, aiming to reduce our environmental footprint.

Many activities take place in local communities. For example, Higashine Shindengen Co., Ltd., which manufactures semiconductors, contributes by purchasing credits under the CO_2 reduction and value creation initiative of Yamagata Prefecture, where it is located. In addition, we strive to deepen our connections with local communities through clean-up, volunteering and other ongoing efforts at each of our locations.

* Electric vehicles and plug-in hybrid electric vehicles

Message

Q6 Do you have any other message for shareholders and investors?

Since I took office as president, I have particularly focused on fostering active communication. We want to make Shindengen more open and transparent. To this end, I have been encouraging participants at Board of Directors and all kinds of other meetings to speak up and engage in active discussion. These efforts have begun to produce change throughout the Group.

Vigorous communication leads to vigorous business and facilitates the creation of synergies within the Group. As we leave behind our previous approach of self-sufficiency, we will of course actively forge external alliances, but I also hope to fully realize potential synergies within the Shindengen Group.

We revamped the Shindengen corporate brand in July 2017. By adopting "Listen closely, look ahead, and create a future of value" as "Our promise," we are bringing a fresh attitude to our businesses. October 2019 will mark Shindengen's 70th anniversary. As we go forward, we will listen closely to our customers and offer forward-looking solutions, aiming to ensure that Shindengen continues bringing value to society as it advances to the century mark and beyond.

I hope that our shareholders will expect great things from the new Shindengen. We look forward to delivering them and earning your continued support.

Business Portfolio

Segments | **Major Products and Markets** | **Operating Performance** | **Percentage of Net Sales**

Power Device

The Power Device segment produces diodes, thyristors, MOSFETs, high voltage power ICs and power modules, among other products.


Diodes

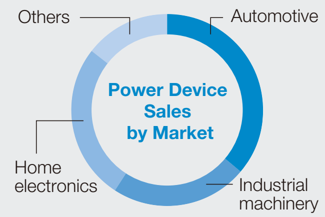

Surge Absorbers

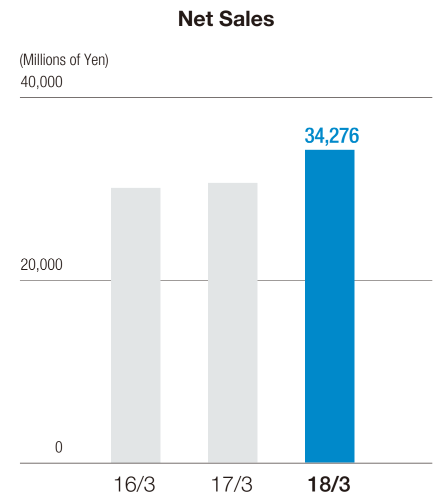

Power MOSFETs & Power ICs

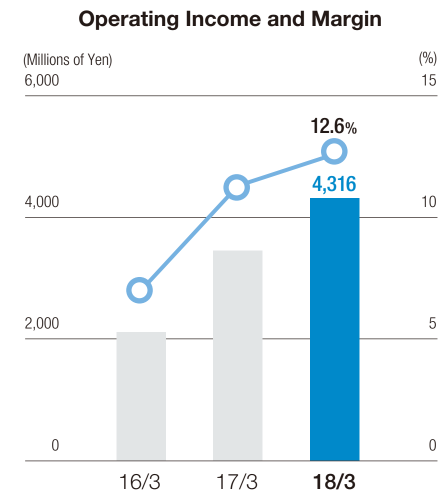

Power Modules

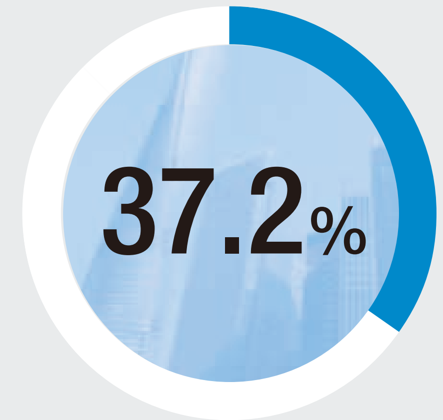
Main Products and Markets

Products	Markets
Bridge diodes	Mobility (four-wheel vehicles)
High-speed rectifier diodes	Industrial machinery market (factories)
Thyristors	Home electronics (air conditioners, lighting, etc.)
SIDACs	
Power MOSFETs	
Power ICs	
Power modules	



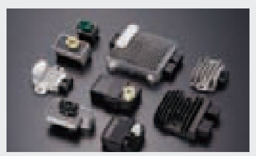






Car Electronics

The Car Electronics segment produces motorcycle products, automobile products and general-purpose inverters, among other products.


Motorcycle Products


DC/DC Converter for Hybrid Vehicles

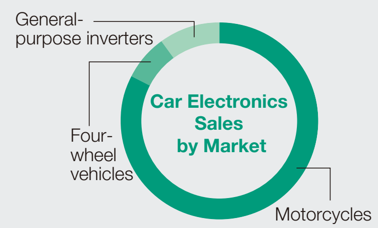

Chargers for Vehicles

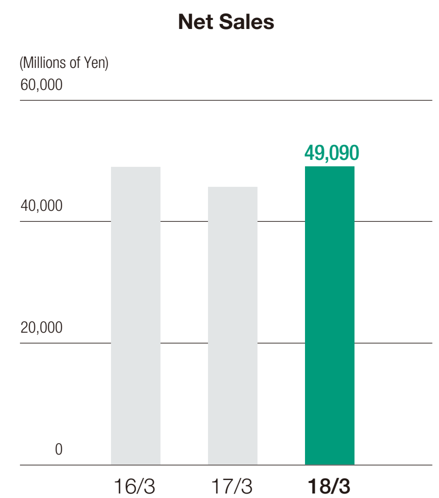

ECU for Vehicles

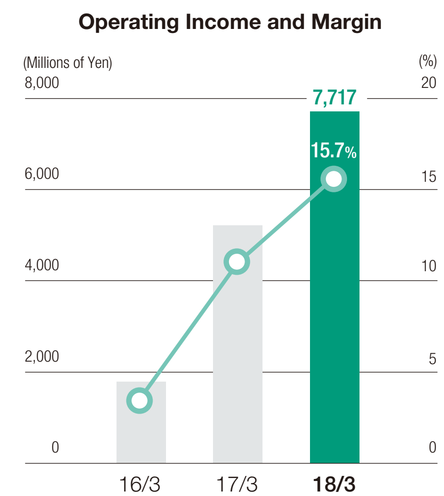
Main Products and Markets

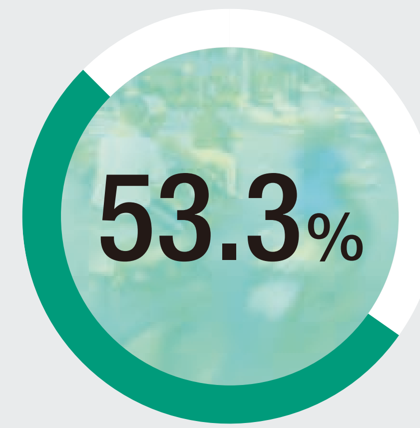
Products	Markets
Motorcycle products	Mobility (motorcycles, four-wheel vehicles)
Electric motorcycle products	Generators
Universal engine control units	
Four-wheel EV/HEV/PHEV/FCV* products	

* Electric vehicles, hybrid electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles









Next Generation Energy

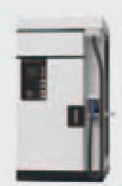
The Next Generation Energy segment produces power supply units for information and communications equipment, power conditioners for photovoltaic generation, energy storage systems and EV/PHEV* chargers, among other products.

* Electric vehicles and plug-in hybrid electric vehicles


Power Conditioner


Power Storage System

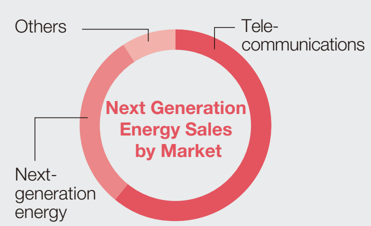

Regular-Use Chargers for EVs/PHEVs

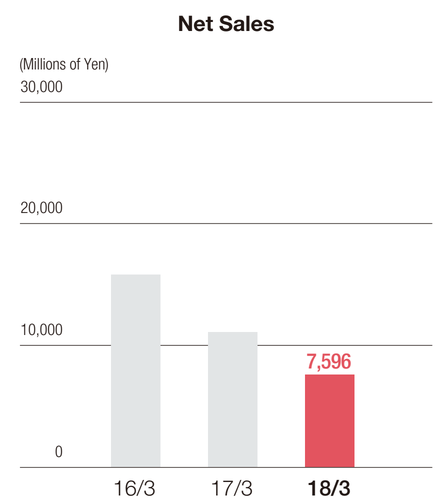

High-output quick chargers for EVs

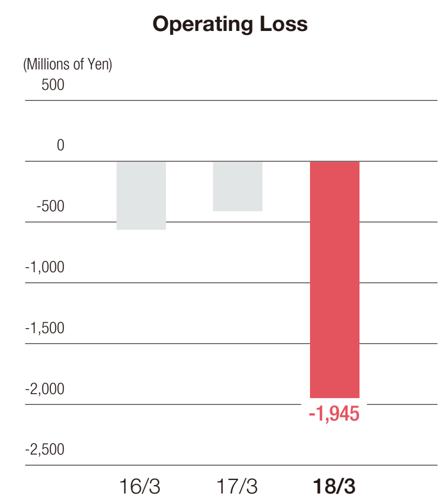

Rectifier for tele-communication Stations

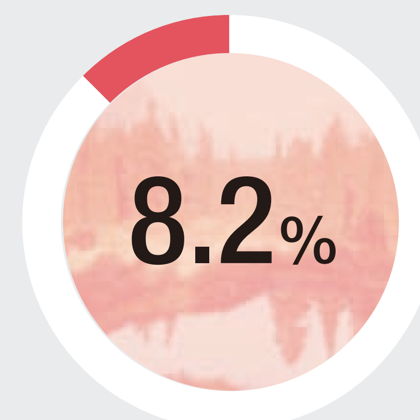
Main Products and Markets

Products	Markets
Rectifiers for communication stations	Information/communication (mobile device base stations, data centers and tele-communication stations)
Rectifiers for mobile device base stations	Next generation energy (photovoltaic generation and energy storage, EV/PHEV chargers)
Inverters for communication stations	
Monitoring units	
EV/PHEV chargers (quick and regular-use)	
Power conditioners for photovoltaic generation	
Smart energy management systems	









* From April 2018, the businesses of the Next Generation Energy segment are included in Other.

Business Segments

Power Device

Segment Overview

One of the biggest strengths of this segment is its extensive lineup of semiconductor devices used in high-voltage and high-current controls. Diodes, one of our mainstay products, are used in power supply for automobile electronic control units (ECUs), industrial machinery including factory automations and robots, as well as home electronics. MOSFETs, a type of switching device, are used in motorcycle ECUs in the Car Electronics segment. We also supply power modules for industrial machinery and automobiles, power ICs (integrated circuits) for lighting, and other high-performance products.

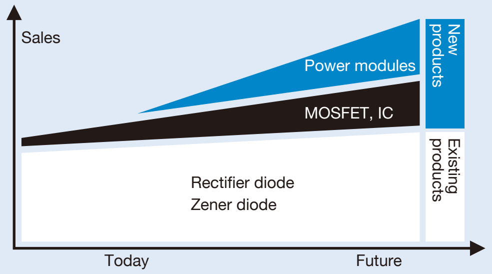
Officer
Tomoaki Nishi

Strategy

This segment's key markets are the automobile, industrial machinery and home electronics markets. In the automobile market, the increased use of electronics in cars is driving demand growth for semiconductors. In the industrial machinery market, we expect growth in semiconductor demand based on long-term increases in production automation driven by personnel shortages and rising labor costs.

In terms of product categories, we will shift away from our existing diode-centered framework, increasing such products as MOSFETs, ICs and power modules while keeping a close eye on developments related to next-generation semiconductors.

We will continue to allocate greater management resources to business outside Japan, aiming to create a framework for making timely technological proposals to customers in overseas markets and to raise the overseas sales ratio from approximately 40%, at present, to 50%.



R&D and Capital Investment

R&D

In diodes, we developed new packages that enable not just higher voltage and speed, but also higher current, mainly for the mobility market. We also advanced development of SiC Schottky barrier diodes.

In switching devices, we developed smaller low-voltage MOSFETs with upgraded performance for the mobility market as well as new high-current packages.

In IC products, we developed and commenced mass production of products for the mobility market as well as control ICs for LED lighting in the home electronics market.

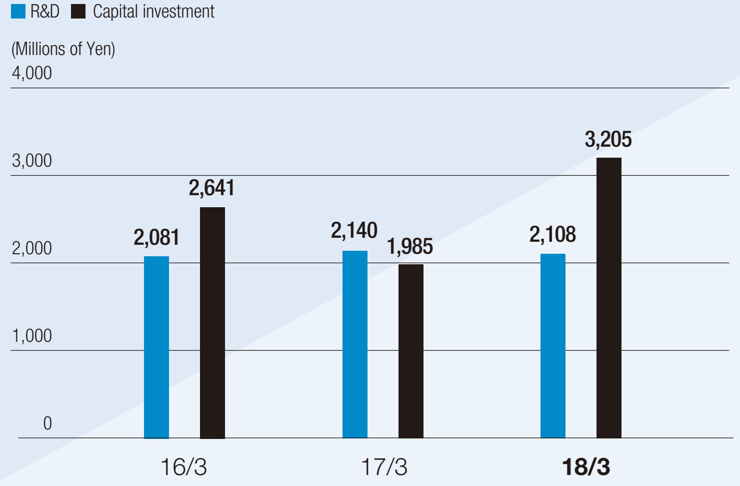
In power modules, we expanded the range of modules under development, focusing mainly on the mobility market, and advanced the development of power modules utilizing next-generation semiconductors.

R&D expenses in this segment came to ¥2,108 million.

Capital Investment

Segment capital investment totaled ¥3,205 million. Capital spending went mainly toward expanding production capacity and upgrades at Akita Shindengen Co., Ltd., Higashine Shindengen Co., Ltd. and Lumphun Shindengen Co., Ltd.

R&D and Capital Investment

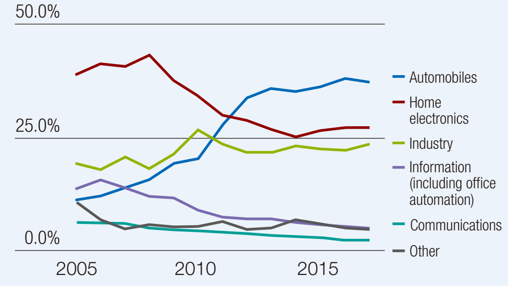


Highlight

Approximately 40% of the Power Device Segment's sales are products for automobiles. As the use of electronics in cars increases, the number of electronic control units (ECUs) per vehicle is increasing, driving a corresponding increase in semiconductor demand. This increase in ECUs also points to growing needs for modules, which can contribute to size reduction. Our business is currently centered on discreet devices, such as protective diodes for ECUs, but we plan to widen our product applications to include motor controls and more, and increase business in MOSFETs and automobile power modules. Shindengen uses in-house semiconductors to produce semi-custom module products. Going forward, we will expand our lineup of products that help reduce size, weight and manufacturing costs.

To meet growing needs for power semiconductors used in automobiles, in fiscal 2017, we carried out capital investment to increase production capacity at our factory in Thailand.

Power Device Segment Sales by Market



Car Electronics

Segment Overview

The Car Electronics segment began with the manufacture of regulators used for charging motorcycle batteries. Products for motorcycles still account for around 85% of segment sales. Our mainstay engine control units (ECUs) are widely used in motor scooters in Asia, and our regulators are used worldwide. We also manufacture inverters for portable generators, converters used in eco-friendly vehicles and other products.

Senior Officer
Seiji Niizeki

Strategy

Over 80% of total segment sales are products for motorcycles, and Asian motorcycle markets are the segment's key markets. These include the markets of Indonesia—the largest in the ASEAN region—as well as Vietnam, Thailand and India. The Indian market, in particular, has seen expansion, and medium- to long-term growth is expected in the motorcycle market of Asia as a whole. As environmental regulations in many countries continue to tighten, we are developing fuel injection engine control units (FI-ECUs) with idle stop functions and other forms of added value to meet growing market needs. We will also carry on improving our manufacturing and supply frameworks to withstand cost competition.

In the four-wheel vehicle market, we continue to reduce the size and improve the efficiency of our converters for eco-friendly vehicles. At the same time, we are enhancing our lineup of ECUs for gasoline-powered vehicles.

R&D and Capital Investment

R&D

In the motorcycle market, Shindengen began to develop smaller and more cost-efficient next-generation ECUs with built-in idle-stop functions. We also advanced development through cross-industry alliances, leading to new solution proposals for customers.

In the four-wheel vehicle field, we began product development aimed at reducing size and cost based on the fundamental technologies we have honed through the development of ECUs and vehicle chargers.

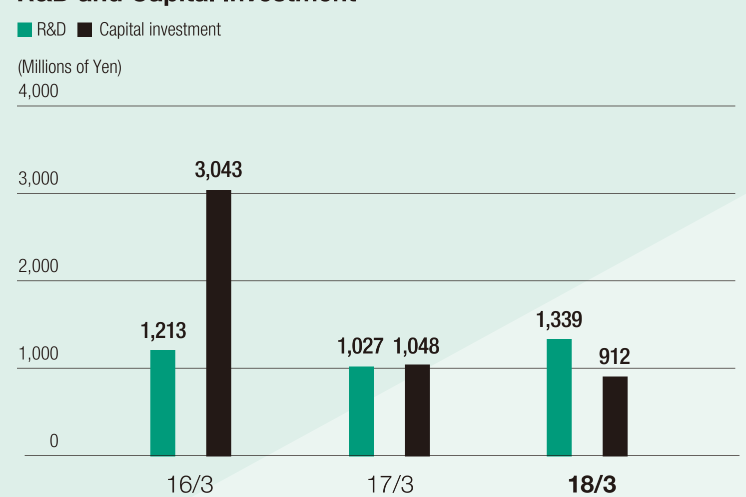
In the general-purpose field, we worked to apply inverter technologies developed for general-purpose products to automobiles and other new fields.

R&D expenses in this segment came to ¥1,339 million.

Capital Investment

Segment capital investment totaled ¥912 million. Capital investment was aimed mainly at expanding production capacity and upgrades at Shindengen India Private Limited.

R&D and Capital Investment



Highlight

Within the motorcycle business, which comprises the greater part of the segment, India continues to show especially strong market growth. In fiscal 2017, India's seven leading motorcycle vendors sold a combined 23 million units (including exports). This figure is forecast to exceed 28 million by 2025. In anticipation of market growth and increasing product functionality, Shindengen is expanding its factory in Bangalore. We expect the construction costs of this expansion to total around ¥1,400 million. After construction is completed, we plan to continue capital investment, mainly in production facilities, in step with demand growth.

Artist's rendering of the completed Shindengen India Pvt. Ltd. facilities

Business Segments

Next Generation Energy

Segment Overview

The Next Generation Energy segment's business was centered on telecommunication power supplies and power conditioners for photovoltaic generation. Our power supplies, which serve as valuable communications infrastructure, are used in telecommunications stations and mobile base stations as well as data centers and similar facilities. Our business in power conditioners for photovoltaic generation centers mainly on industrial-use 10kW products, and we also offer systems to remotely monitor and control power conditioners. In electric vehicle and plug-in hybrid electric vehicle (EV/PHEV) chargers, we are the only Japanese manufacturer that supplies both quick and regular-use chargers.

R&D and Capital Investment

R&D

In the new energy area, we developed and began the mass production of products with further enhanced remote monitoring and control systems capable of cloud-based monitoring for power conditioners used in photovoltaic generation.

In EV/PHEV chargers, we developed and prepared for the mass production of high-output quick chargers, aiming to meet the needs presented by higher capacity batteries.

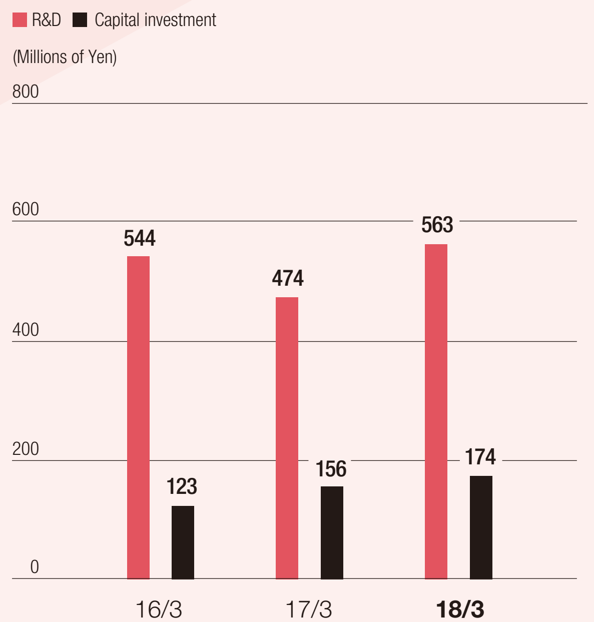
In the information and communications area, we began development of compact, high-efficiency, low-capacity power supply for mobile base stations.

R&D expenses in this segment came to ¥563 million.

Capital Investment

Segment capital investment totaled ¥174 million. Capital spending went mainly toward upgrades at Shindengen Three E Co., Ltd.

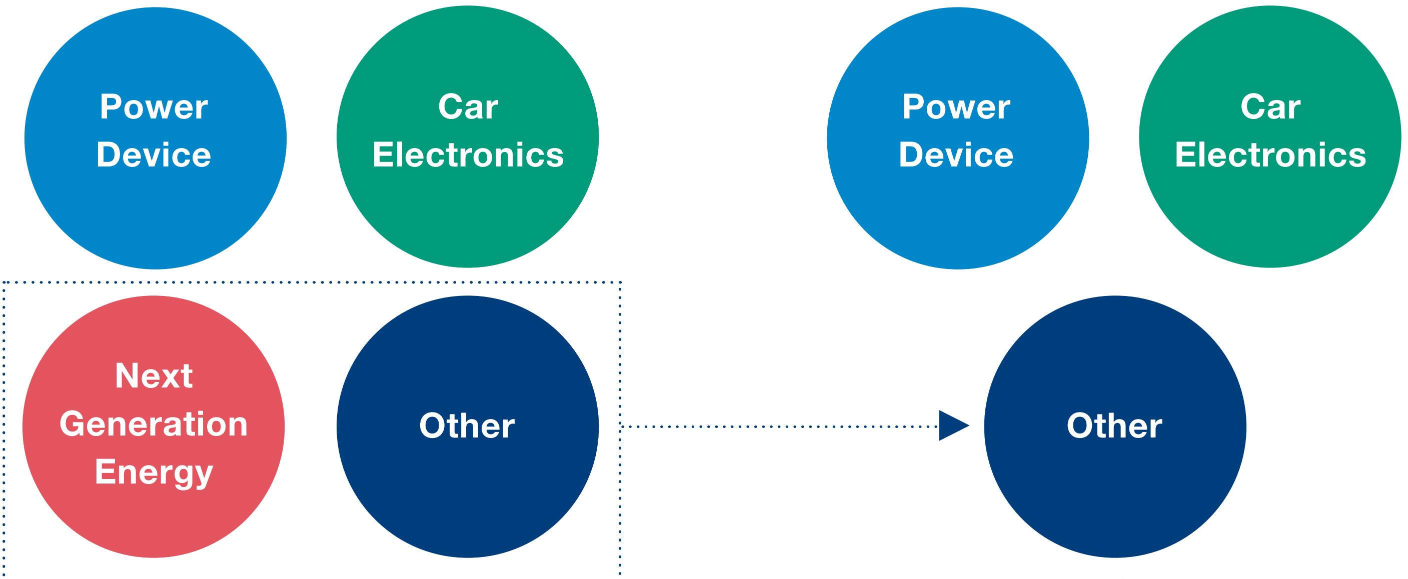
R&D and Capital Investment



Change in Reportable Segments

Effective April 2018, Shindengen changed its reportable segments. Prior to this change, the reportable segments were the Power Device, Car Electronics and Next Generation Energy segments. Following the change, the reportable segments are the Power Device and Car Electronics segments.

The products formerly classified as belonging to the Next Generation Energy are now included in Other as part of the Energy System Business.



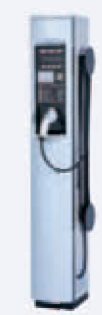
Other

Energy System products (formerly Next-Generation Energy products)

Telecommunication power supply

High-voltage direct current (HVDC) power supply rectifiers

Power conditioners for photovoltaic generation



Regular-use EV chargers

Quick EV chargers

High-output quick chargers for EVs

Actuator products

Solenoids

CSR Initiatives

The Shindengen Group's management philosophy is to grow in harmony with society, customers and employees. To that end, we are implementing CSR initiatives in line with the seven core subjects laid out in ISO 26000, an international standard for social responsibility. These are organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Our ISO 26000-Aligned CSR Initiatives

Core Subject	CSR-Related Initiatives
Organizational Governance	The Shindengen Group maintains organizational governance to ensure the sustained growth of society and the Group. We regard meeting the demands and expectations of stakeholders related to our business activities as our overarching corporate social responsibility, and are working to help address the risk of climate change, reduce carbon emissions worldwide, and solve problems related to health and welfare.
Human Rights	The Shindengen Group respects international values with regard to human rights and is implementing initiatives to promote human rights, including raising awareness of social issues accompanying economic globalization and employee rights.
Labor Practices	The Shindengen Group respects international values related to human rights and working conditions. In accordance with the Group Code of Conduct and internal Group standards, we prioritize workplace safety, the prohibition of harassment, and employee health. We offer career planning support and training for employees while advancing measures to create safer, healthier workplaces.
The Environment	The Shindengen Group established the Shindengen Global Environmental Charter in 1992, and has long made addressing environmental issues a key management priority. Going forward, we will give consideration to international initiatives and targets aimed at creating a sustainable world, such as the Paris Agreement and Sustainable Development Goals (SDGs). The Group will strive to create eco-friendly products and reduce the environmental burden caused by its business activities in order to help address such social issues as climate change.
Fair Operating Practices	To address social issues at every level of the value chain, including those related to marketing, product development, materials procurement, production and logistics, the Shindengen Group has established an internal system of ethics based on the Group Code of Conduct and is working to ensure that the Company can adapt appropriately to changing social values.
Consumer Issues	We believe that Shindengen's "quality with value" is built out of the quality work of each employee at every step of supply chains, reaching all the way to customers. Our exacting management system encompasses design, manufacturing and quality control to build in quality and speedily supply products to our customers.
Community Involvement and Development	The Shindengen Group seeks to create corporate value over the long term in order to help solve social problems, including global warming. We take an active role in the communities where we do business, contributing to local development by helping solve social problems through our business activities and implementing social contribution initiatives.

Focus

Managing Supply Chain CO_2 Emissions

Understanding and managing emissions throughout our supply chain is an important part of mitigating our environmental burden. Shindengen has conducted a life cycle assessment (with reference to the Japan Electronics and Information Technology Industries Association's Guidelines for Life Cycle Assessment: Electronic Components) in accordance with Scope 3 (category 1.4.5.7.9) specifications for its high-voltage, direct-current (HVDC) power supply systems. Going forward, we will work to expand the categories covered by such assessments, as well as their precision, while reducing our Scope 3 CO_2 emissions.

Response to the Act on Promotion of Women's Participation and Advancement in the Workplace

Shindengen regards diverse human resources, including women, as a source of strength. Accordingly, we have set goals for initiatives in line with the Act on Promotion of Women's Participation and Advancement in the Workplace and are working toward these goals to improve corporate value. Going forward, we will expand these initiatives to Shindengen's Group companies.

Goals for Initiatives Related to the Act on Promotion of Women's Participation and Advancement in the Workplace

1. Raise the percentage of women among new graduate hires to 30%.
2. Actively place female employees in a wide range of divisions and positions.
3. Further promote work-life balance.

Corporate Governance

Shindengen positions corporate governance as a central tenet to ensure management transparency, compliance, and a management system able to quickly and accurately adapt to rapid changes in the operating environment. Maintaining and improving this system is one of our fundamental policies.

Corporate Governance System

To ensure that the Board of Directors manages the Company and operates its businesses in a way that serves to increase corporate value over the long term, Shindengen's Articles of Incorporation specify that the Board of Directors must comprise directors with diverse professional backgrounds and insight, and that it is limited to no more than nine directors. In addition, Shindengen ensures that at least two directors, in principle, are outside directors. Furthermore, Shindengen takes steps to strengthen its management system, including limiting director terms to one year and clarifying their responsibilities. We have also introduced an officer system to separate management decision-making and business execution, thereby accelerating these functions and promoting management efficiency while strengthening the supervisory functions of the Board of Directors.

Furthermore, the effectiveness of our internal control system is increased through audits undertaken from an independent standpoint by the Audit & Supervisory Board. Shindengen's management control structure is primarily composed of the Board of Directors, Management Committee, Audit & Supervisory Board, Technology & Quality Control Committee, General Manager Committee and Manager Committee. Through the functional operation of this structure, we seek to accelerate decision-making and promote efficient business activities and thus maintain consistent management across the entire Group. Furthermore, we have established the CSR Committee and BCM Committee, each chaired by the president, as part of ongoing efforts to promote social contribution and minimize the impact of disasters and other emergencies. With regard to information disclosure, we work to reinforce IR activities to improve management fairness and transparency.

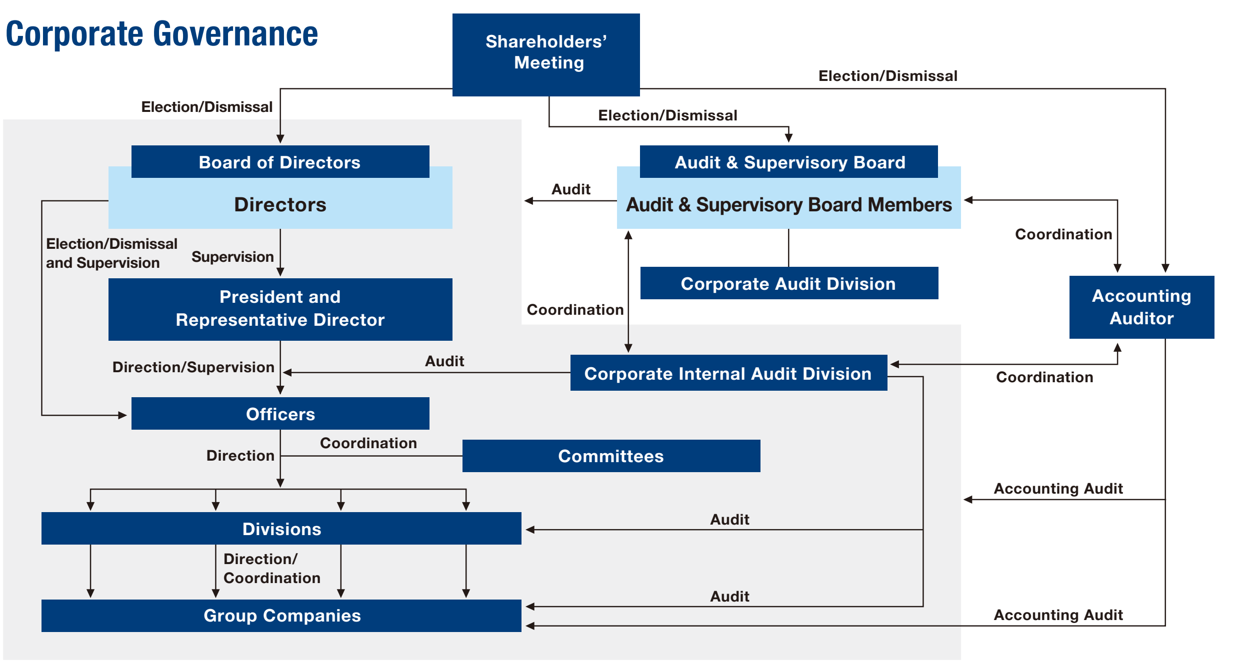
Internal Audits and Audit & Supervisory Board Audits

We have adopted an audit & supervisory board system primarily consisting of outside Audit & Supervisory Board members (one full-time member and two outside members) to ensure independence and verify the execution of operations in a fair manner. We maintain a full-time audit staff to support our auditing system. We have established the Corporate Internal Audit Division to monitor the implementation of management activities of the Company and Group companies. The Corporate Internal Audit Division and Audit & Supervisory Board have regular quarterly meetings to report on such topics as internal control audits and risk management. Through these measures, we strive to maintain and strengthen an appropriate auditing system based on relevant laws and regulations.

Status of Accounting Audits

Our Audit & Supervisory Board members hold regular meetings with our accounting auditors to maintain mutual cooperation and discuss annual audit plans, review the results of interim and year-end audits, and conduct special ad hoc audits as required.

Status of Corporate Governance



Outside Directors and Outside Audit & Supervisory Board Members

We have two outside directors and two outside Audit & Supervisory Board members. In accordance with the Tokyo Stock Exchange's standards of independence, we select outside directors and outside Audit & Supervisory Board members for their experience, insight and expert knowledge in a variety of fields.

Ichiro Yamada was selected as an outside director for his expert knowledge and rich experience as a university professor, with the expectation that he will be able to provide management with helpful direction and advice.

Hideyuki Hashimoto was selected as an outside director with the expectation that he will use his expert knowledge and rich experience as a certified public accountant and tax accountant to provide management with helpful advice.

Makoto Fujimaki was selected as an outside Audit & Supervisory Board member for his wealth of experience at financial institutions, with the expectation that he will contribute to precise audits based on his broad and sophisticated insight as a seasoned management professional.

Yuichiro Miyake was selected as an outside Audit & Supervisory Board member for his wealth of knowledge and experience in corporate law as an attorney, with the expectation that he will provide management oversight from an objective and impartial standpoint using his experience as an outside director at another Japanese company.

Director and Audit & Supervisory Board Member Compensation

The amounts and methods of calculating the compensation of Shindengen's directors and Audit & Supervisory Board members are decided by the Board of Directors in accordance with internal rules regarding monthly compensation amounts based on such factors as position and years of service, and are set within an upper limit decided by resolution of the general meeting of shareholders. Director compensation is a fixed monthly amount, but can be reduced if operating performance is severely poor or augmented by bonuses when performance is strong.

The annual compensation of directors and Audit & Supervisory Board members in fiscal 2017 was as follows.

Basic compensation for seven directors (including two outside directors. Does not include the employee salaries of directors who are concurrently employees)	¥95 million
Basic compensation for four Audit & Supervisory Board members (including three outside Audit & Supervisory Board members)	¥41 million

Constructive Dialog with Shareholders

To foster sustainable growth and improve corporate value over the long term, Shindengen engages in dialog with shareholders within the bounds of practicality. We do the following to facilitate appropriate and constructive dialog with shareholders.

1. The Corporate Planning Group handles investor relations (IR) under the supervision of the Board of Directors and the officer of the Corporate Planning Group.
2. The Corporate Planning Group, Administration Department, Finance Department and Corporate Internal Audit Division coordinate with one another, holding regular liaison meetings to exchange information.
3. In addition to individual meetings, means of engaging in dialog with shareholders include semiannual results briefings for institutional investors.
4. Shareholder and investor opinions gleaned from individual meetings each accounting period are reported to the relevant directors, and especially important matters are reported to the Board of Directors.
5. Shindengen has established regulations to prevent insider trading. These govern the use of non-public information. In accordance with these regulations, we enforce such measures as silent periods in our dialog with investors.

Compliance and Risk Management

We take steps to increase the effectiveness of our compliance and risk management systems. To this end, besides management undertaken by respective management units, cross-functional initiatives are conducted by the Security and Trade Control Committee, the Environment Committee and other standing committees. Moreover, we form committees to address evaluations and audits of our internal control system related to financial reporting in accordance with the Financial Instruments and Exchange Act. We also maintain a crisis management system that promptly reports information on such important risk factors as accidents and disasters to the Board of Directors.

Directors, Audit & Supervisory Board Members and Officers (As of June 29, 2018)

Directors

Yoshinori Suzuki
President

Yasumi Negishi
Director and Senior Executive Officer

Kenji Horiguchi
Director and Executive Officer

Nobuyoshi Tanaka
Director and Executive Officer

Ichiro Yamada
Outside Director

Hideyuki Hashimoto
Outside Director

Audit & Supervisory Board Members

Yoshiaki Higo
Audit & Supervisory Board Member

Makoto Fujimaki
Outside Audit & Supervisory Board Member

Yuichiro Miyake
Outside Audit & Supervisory Board Member

Officers

Senior Officers

Makoto Shiraha
Seiji Niizeki

Officers

Yoshiaki Kasahara
Hiroaki Tanaka
Osamu Ukegawa
Naoyuki Furukawa
Koji Kodama
Tomoaki Nishi
Takuya Kojima
Masahiro Sasaki
Takahiro Ohnishi
Masahito Fukunaga
Hirofumi Matsuo

CSR Data

CSR

For more details on the Shindengen Group's CSR initiatives, please visit our website.
https://www.shindengen.com/csr/

Financial Section

Five-Year Summary

Shindengen Electric Manufacturing Co., Ltd. and its Subsidiaries
(Years ended March 31)

Millions of yen

	2018	2017*	2016	2015	2014
Net sales	¥ 92,177	¥ 90,415	¥ 98,110	¥108,255	¥104,564
Operating income	6,854	5,103	799	7,674	11,313
Profit before income taxes	7,098	4,813	166	7,861	11,376
Profit attributable to owners of parent	5,294	3,389	205	5,253	12,130
Profit attributable to owners of parent per share—basic	¥ 513.91	¥ 328.97	¥ 1.99	¥ 50.98	¥ 117.71
Cash dividends per share for the period (Common stock)**	125.00	125.00	125.00	100.00	100.00
Total assets	¥133,707	¥128,530	¥133,101	¥134,002	¥132,824
Total current assets	84,462	81,192	85,118	86,785	88,034
Property, plant and equipment	25,937	25,018	26,551	26,094	23,084
Total shareholders' equity	58,525	54,529	52,355	53,186	49,777
Net cash provided by operating activities	9,335	7,612	10,421	9,027	13,146
Net cash used in investing activities	(4,823)	(3,537)	(5,884)	(6,286)	(5,156)
Net cash used in financing activities	(3,025)	(4,430)	(2,865)	(6,541)	(6,319)
Cash and cash equivalents at end of the year	39,626	38,272	38,905	38,047	39,804

* From the year ended March 31, 2018, the Company is translating the revenue and expenses of its overseas consolidated subsidiaries into Japanese yen using the average exchange rate for each currency over the fiscal period under review. Previously, the exchange rates prevailing at the balance sheet date were used. This change has been applied retrospectively to the figures for the year ended March 31, 2017.
** Shindengen executed a share consolidation on October 1, 2017, at a ratio of 10 common shares to one. Per-share figures have been adjusted accordingly.

Management's Discussion and Analysis

Consolidation

During the fiscal year ended March 31, 2018 (fiscal 2017), the Shindengen Group included the Company, 18 consolidated subsidiaries, two nonconsolidated subsidiaries and two affiliated companies accounted for under the equity method.

Changes in Accounting Policies

Previously, the revenue and expenses of overseas consolidated subsidiaries were translated into Japanese yen using the exchange rate for each currency prevailing at the balance sheet date. However, from the fiscal year under review, Shindengen will instead use the average exchange rates over the fiscal period under review.

The reasons for making this change are as follows. The importance of the revenue and expenses of the Group's overseas subsidiaries has been increasing in recent years and is expected to continue to do so. At the same time, changes in international conditions in the past several years have increased the likelihood of sharp, short-term exchange rate fluctuations. In light of these circumstances, Shindengen determined that using the average exchange rates over the period under review to calculate foreign exchange gains or losses enables more appropriate disclosure than relying on the rates prevailing at a single point in time. In this report, this change has been retrospectively applied to the financial statements for the previous fiscal year.

As a result, compared with results before retrospective application, the previous fiscal year's net sales decreased ¥2,273 million, operating income decreased ¥135 million, ordinary income decreased ¥135 million, profit before income taxes decreased ¥146 million, and profit attributable to owners of the parent decreased ¥120 million.

In addition, the cumulative effect of this change has been reflected in the balance of net assets at the beginning of the previous fiscal year. As a result, the balance of capital surplus at the beginning of the previous fiscal year increased ¥76 million, and that of foreign currency translation adjustment decreased by the same amount.

The impact of this change on segment information and per-share information is described in the corresponding sections.

Operating Results

Performance Overview

In the principal markets of the Shindengen Group, conditions continued to deteriorate in the new energy area, including the photovoltaic generation market. However, the mobility area, which is said to be in the midst of a once-in-a-century revolution, was strong.

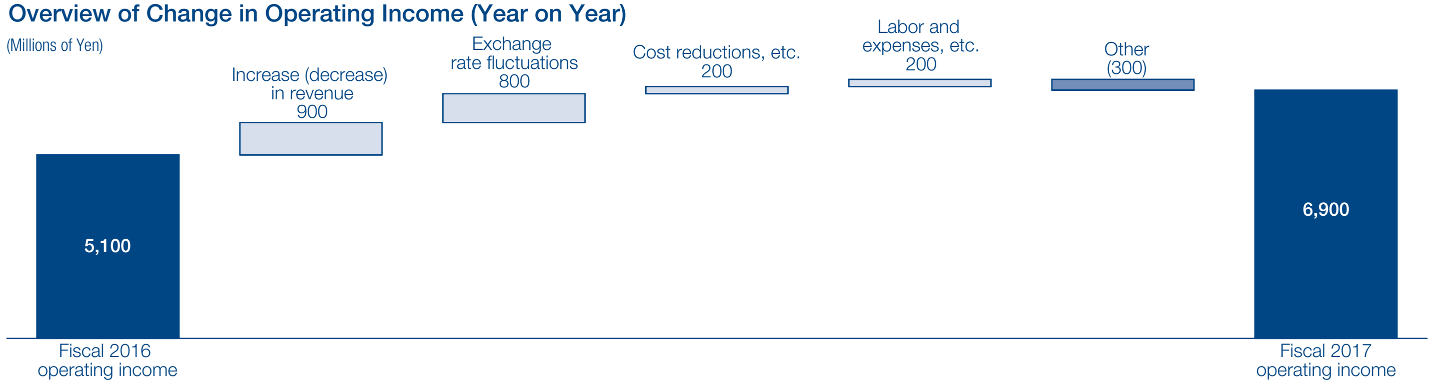
Under these circumstances, the Group's consolidated net sales increased 1.9% year on year to ¥92,177 million, as strong sales in the Power Device and Car Electronics segments offset sluggish performance in the Next Generation Energy segment and a decrease in revenue in Other due to changes to distribution channels. The Power Device and Car Electronics segments drove overall earnings, and operating income rose 34.3% to ¥6,854 million, while ordinary income increased 55.6% to ¥7,164 million. Profit attributable to owners of the parent came to ¥5,294 million, up 56.2% from the previous fiscal year.

Operating Results

(Millions of Yen)

	Fiscal 2017	Fiscal 2016	Change	Change (%)
Net sales	92,177	90,415	1,762	1.9
Operating income	6,854	5,103	1,751	34.3
Profit attributable to owners of the parent	5,294	3,389	1,905	56.2

Overview of Change in Operating Income (Year on Year)



* From fiscal 2017, the Company is translating the revenue and expenses of its overseas consolidated subsidiaries into Japanese yen using the average exchange rate for each currency over the fiscal period under review. Previously, the exchange rates prevailing at the balance sheet date were used. This change has been applied retrospectively to the figures for fiscal 2016.

Operating Conditions by Business Segment

Power Device

In the Power Device segment, net sales amounted to ¥34,276 million, up 11.8% year on year, and operating income came to ¥4,316 million, up 24.8%.

Sales in the consumer electronics market, especially of products for air conditioners, greatly surpassed those in the previous fiscal year, as did sales in the industrial machinery market, which saw brisk investment in automation and labor-saving technologies, and the automobile market, which saw advances in digitization. As a result, segment revenue increased year on year. Earnings also grew, boosted by the increase in revenue as well as productivity improvements.

Car Electronics

In the Car Electronics segment, net sales amounted to ¥49,090 million, up 7.3% year on year, and operating income came to ¥7,717 million, up 51.3%.

Revenue in the mainstay Asian motorcycle market grew year on year. Sales in Indonesia were sluggish at first but picked up in the second half of the year, ending roughly on par with the previous fiscal year overall. Meanwhile, the Vietnamese market was firm and the Indian market expanded; sales in both countries were strong. Earnings also increased, reflecting revenue growth, improved productivity and the depreciation of the yen.

Next Generation Energy

In the Next Generation Energy segment, net sales amounted to ¥7,596 million, down 31.5% year on year, and operating loss came to ¥1,945 million, compared with operating loss of ¥405 million in the previous fiscal year.

In the photovoltaic generation market, sluggish market conditions and intensifying price competition led to a decrease in power conditioner sales. In the communications market, demand for power supply equipment dropped sharply. As a result, revenue decreased year on year, and the segment operating loss widened.

Other

Other net sales amounted to ¥1,215 million, down 58.5% year on year, and operating income came to ¥66 million, up 68.4%.

For information on the performance of each business segment (excluding Other) over the past three years, please refer to Business Portfolio on pages 15–16. Note that, except where otherwise specified, intersegment transactions have been eliminated from segment performance throughout this report.

Earnings and Expenses

Fiscal 2017 operating income rose 34.3% year on year to ¥6,854 million, lifting the operating income margin from 5.6% to 7.4%. This increase was mainly due to revenue growth in the Power Device and Car Electronics segments, exchange rate fluctuations and cost reductions.

Segment Net Sales

(Millions of Yen)

	Fiscal 2017	Fiscal 2016	Change	Change (%)
Power Device	34,276	30,654	3,622	11.8
Car Electronics	49,090	45,740	3,350	7.3
Next Generation Energy	7,596	11,092	(3,496)	(31.5)
Other	1,215	2,929	(1,714)	(58.5)
Total	92,177	90,415	1,762	1.9

Segment Operating Income

(Millions of Yen)

	Fiscal 2017	Fiscal 2016	Change	Change (%)
Power Device	4,316	3,457	859	24.8
Car Electronics	7,717	5,100	2,617	51.3
Next Generation Energy	(1,945)	(405)	(1,540)	—
Other	66	39	27	68.4
Adjustments and eliminations*	(3,300)	(3,088)	(212)	—
Total	6,854	5,103	1,751	34.3

* The figures shown above for adjustments and eliminations include corporate expenses not allocated to the reportable segments. Corporate expenses comprise mainly general and administration expenses not attributable to the reportable segments.

Net other income and expense included ¥255 million in foreign exchange losses, but also ¥411 million in equity in earnings of affiliates, ¥324 million in dividends income and ¥122 million in interest income. Under extraordinary losses, the Company recorded impairment loss of ¥66 million. As a result, net other income amounted to ¥244 million, and profit before income taxes came to ¥7,098 million.

After subtracting income taxes, profit attributable to owners of the parent amounted to ¥5,294 million, and net income per share increased from ¥328.97 in fiscal 2016 to ¥513.91. As a result, the net income margin rose from 3.7% in fiscal 2016 to 5.7%, and ROE rose from 6.5% to 9.4%.

Comprehensive income came to ¥6,463 million, compared with the previous fiscal year's ¥4,543 million.

Financial Position

Assets, Liabilities and Net Assets

Total assets as of March 31, 2018 stood at ¥133,707 million, up ¥5,177 million year on year. This was mainly due to increases in inventories and property, plant and equipment.

Total liabilities at the end of the fiscal year were up ¥11 million year on year to ¥74,537 million. This was mainly attributable to an increase in notes and accounts payable—trade.

Total net assets at the end of the year under review stood at ¥59,170 million, up ¥5,166 million from the end of the previous fiscal year. This was mainly because of an increase in capital surplus.

As a result, net assets per share were ¥5,744.60.

Cash Flows

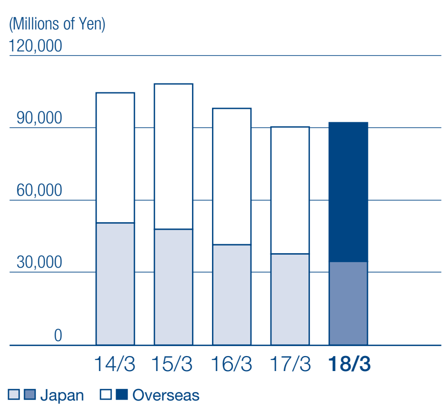
Cash and cash equivalents (net cash) at the end of the fiscal year under review came to ¥39,626 million, an increase of ¥1,354 million from the end of fiscal 2016. This was the result of ¥9,335 million in cash provided by operating activities, ¥4,823 million in net cash used in investing activities, and ¥3,025 million in net cash used in financing activities.

Net cash provided by operating activities was ¥9,335 million, compared with ¥7,612 million in the previous fiscal year. This was mainly due to profit before income taxes of ¥7,098 million and depreciation and amortization of ¥4,520 million.

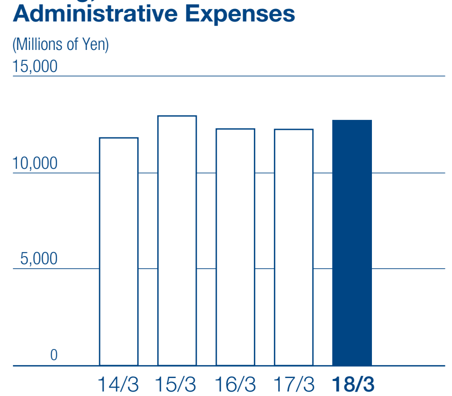
Net cash used in investing activities was ¥4,823 million, compared with ¥3,537 million in the previous fiscal year. This was due mainly to ¥4,091 million used in the purchase of property, plant and equipment.

Net cash used in financing activities was ¥3,025 million, compared with ¥4,430 million in the previous fiscal year. ¥3,500 million in proceeds from long-term loans payable and ¥2,436 million in proceeds from issuance of bonds were offset by the scheduled repayment of long-term loans payable of ¥7,289 million and ¥1,288 million in cash dividends paid.

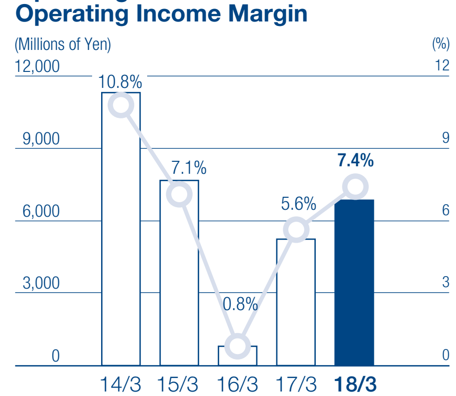
Net Sales



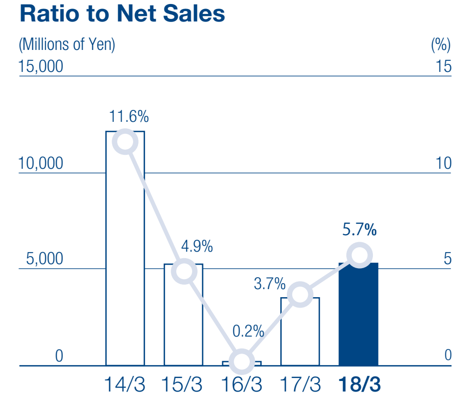
Selling, General and Administrative Expenses



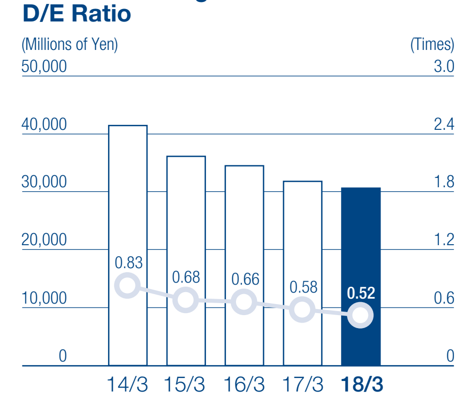
Operating Income
Operating Income Margin



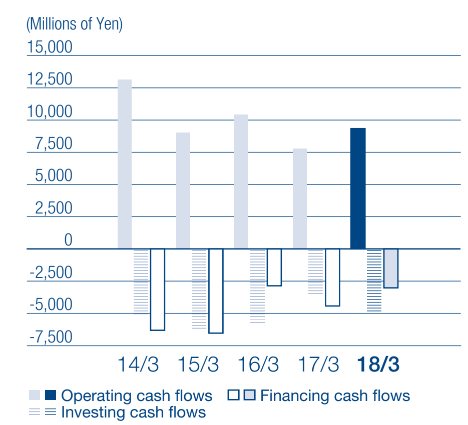
Profit Attributable to Owners of Parent
Ratio to Net Sales



Interest-Bearing Debt
D/E Ratio



Cash Flows



Consolidated Balance Sheets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
At March 31, 2018 and 2017

	Millions of yen 2018	2017	Thousands of U.S. dollars (Note 3) 2018
ASSETS			
Current assets:			
Cash and deposits (Notes 4, 6)	¥ 33,059	¥ 33,691	$ 311,081
Notes and accounts receivable-trade (Note 6)	19,337	19,258	181,958
Less: Allowance for doubtful accounts	(20)	(22)	(190)
	19,317	19,236	181,768
Securities (Notes 6, 7)	7,000	5,000	65,870
Inventories (Note 5)	20,047	18,812	188,640
Deferred tax assets (Note 12)	1,058	719	9,959
Other	3,981	3,734	37,467
Total current assets	84,462	81,192	794,785
Property, plant and equipment:			
Buildings and structures (Note 8)	8,295	8,878	78,059
Machinery, equipment and vehicles (Note 8)	7,642	7,490	71,912
Land	5,879	6,011	55,320
Lease assets-tangible (Notes 8, 20)	837	572	7,875
Construction in progress	1,541	680	14,500
Other, net (Note 8)	1,743	1,387	16,399
Property, plant and equipment	25,937	25,018	244,065
Investments and other assets:			
Investment securities (Notes 6, 7)	16,033	14,334	150,869
Deferred tax assets (Note 12)	4,958	6,022	46,651
Software	973	677	9,154
Goodwill	—	15	—
Lease assets-intangible (Note 19)	6	17	61
Allowance for doubtful accounts	(47)	(50)	(439)
Other	1,385	1,305	13,033
Total investments and other assets	23,308	22,320	219,329
Total assets	¥133,707	¥128,530	$1,258,179

The accompanying notes are an integral part of the statements.

	Millions of yen 2018	2017	Thousands of U.S. dollars (Note 3) 2018
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable-trade (Note 6)	¥ 14,495	¥ 14,283	$ 136,398
Short-term loans payable (Notes 6, 9)	7,425	7,293	69,869
Current portion of bonds (Notes 6, 9)	500	150	4,705
Lease obligations (Notes 6, 9)	257	212	2,423
Income taxes payable (Note 6)	934	340	8,786
Provision for bonuses	1,133	928	10,661
Other	6,564	4,989	61,775
Total current liabilities	31,308	28,195	294,617
Noncurrent liabilities:			
Bonds payable (Notes 6, 9)	4,775	2,775	44,933
Long-term loans payable (Notes 6, 9)	17,025	20,950	160,205
Lease obligations (Notes 6, 9)	658	434	6,194
Deferred tax liabilities (Note 12)	100	90	942
Liability for retirement benefits (Note 10)	16,084	16,448	151,355
Provision for product warranties	4,414	5,470	41,536
Asset retirement obligations	142	143	1,339
Other	31	21	278
Total noncurrent liabilities	43,229	46,331	406,782
Contingent liabilities (Note 11)			
Net assets (Note 21):			
Shareholders' equity:			
Capital stock	17,823	17,823	167,716
Capital surplus	7,739	7,739	72,822
Retained earnings	33,106	29,100	311,529
Treasury stock	(143)	(133)	(1,350)
Total shareholders' equity	58,525	54,529	550,717
Accumulated other comprehensive income (loss):			
Unrealized holding gain on available-for-sale securities	3,633	2,653	34,184
Foreign currency translation adjustment	(710)	(557)	(6,683)
Retirement benefits liability adjustments	(2,278)	(2,621)	(21,438)
Total accumulated other comprehensive income (loss)	645	(525)	6,063
Total net assets	59,170	54,004	556,780
Total liabilities and net assets	¥ 133,707	¥128,530	$1,258,179
Per share of common stock:			
Net assets (Yen) (U.S. dollars)	¥5,744.60	¥5,242.45	$ 54.06

Note: A share of consolidation of the Company's common stock was implemented at a ratio of 1 share per 10 shares on October 1, 2017.
Net assets per share were calculated on the assumption that the consolidation of shares had been implemented as of April 1, 2016.
The accompanying notes are an integral part of the statements.

Consolidated Statements of Income and Comprehensive Income

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net sales	¥92,177	¥90,415	$867,386
Cost of sales (Note 14)	72,630	73,223	683,450
Gross profit	19,547	17,192	183,936
Selling, general and administrative expenses (Notes 13, 14)	12,693	12,089	119,445
Operating income	6,854	5,103	64,491
Other income (expense):			
Interest income	122	90	1,149
Dividends income	324	297	3,047
Royalty income	52	75	493
Equity in earnings of affiliates	411	267	3,864
Interest expenses	(312)	(410)	(2,937)
Foreign exchange losses	(255)	(621)	(2,396)
Gain on sales of fixed assets (Note 16)	—	224	—
Impairment loss (Note 15)	(66)	(14)	(621)
Other, net	(32)	(198)	(297)
	244	(290)	2,302
Profit before income taxes	7,098	4,813	66,793
Income taxes (Note 12):			
Current	1,656	776	15,584
Deferred	148	648	1,395
Total income taxes	1,804	1,424	16,979
Profit	5,294	3,389	49,814
Profit attributable to owners of parent	¥ 5,294	¥ 3,389	$ 49,814

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Profit attributable to owners of parent	¥ 5,294	¥ 3,389	$ 49,814
Other comprehensive income			
Unrealized holding gain on available-for-sale securities	979	887	9,217
Foreign currency translation adjustment	(47)	(472)	(439)
Retirement benefits liability adjustments	343	705	3,228
Share of other comprehensive income (loss) of affiliates accounted for using equity method	(106)	34	(1,003)
Total other comprehensive income (Note 17)	1,169	1,154	11,003
Comprehensive income	¥ 6,463	¥ 4,543	$ 60,817
Comprehensive income attributable to:			
Owners of parent	¥ 6,463	¥ 4,543	$ 60,817
Non-controlling interests	—	—	—

	2018	2017	2018
Per share of common stock [Notes 2 (13), 22]:			
Profit attributable to owners of parent:			
Basic	¥513.91	¥328.97	$4.84
Diluted	—	—	—
Cash dividends per share for the period (Common stock)	125.00	12.5	1.18
Weighted average number of ordinary shares (thousands)	10,301	10,302	

Note: A share consolidation of the Company's common stock was implemented at a ratio of 1 share per 10 shares on October 1, 2017. Net assets per share were calculated on the assumption that the consolidation of shares had been implemented as of April 1, 2016.
The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2018 and 2017

Millions of yen

					Shareholders' equity	
	Number of shares issued (Note 21)	Capital stock	Capital surplus	Retained earnings	Treasury stock (Note 21)	Total shareholders' equity
Balance at March 31, 2016	103,389	¥17,823	¥7,739	¥26,923	¥(130)	¥52,355
Cumulative effect of change in accounting principle				76		76
Restated balance at April 1, 2016	103,389	17,823	7,739	26,999	(130)	52,431
Cash dividends paid				(1,288)		(1,288)
Profit attributable to owners of parent				3,389		3,389
Purchase of treasury stock					(3)	(3)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2017	103,389	¥17,823	¥7,739	¥29,100	¥(133)	¥54,529
Cash dividends paid				**(1,288)**		**(1,288)**
Profit attributable to owners of parent				**5,294**		**5,294**
Purchase of treasury stock					**(10)**	**(10)**
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2018	**10,339**	**¥17,823**	**¥7,739**	**¥33,106**	**¥(143)**	**¥58,525**

Millions of yen

	Accumulated other comprehensive income (loss)				
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits liability adjustments (Note 10)	Total accumulated other comprehensive income (loss)	Total net assets
Balance at March 31, 2016	¥1,766	¥ (43)	¥(3,327)	¥(1,604)	¥50,751
Cumulative effect of change in accounting principle		(76)		(76)	0
Restated balance at April 1, 2016	1,766	(119)	(3,327)	(1,680)	50,751
Cash dividends paid					(1,288)
Profit attributable to owners of parent					3,389
Purchase of treasury stock					(3)
Net changes in items other than those in shareholders' equity	887	(438)	706	1,155	1,155
Balance at March 31, 2017	¥2,653	¥(557)	¥(2,621)	¥ (525)	¥54,004
Cash dividends paid					**(1,288)**
Profit attributable to owners of parent					**5,294**
Purchase of treasury stock					**(10)**
Net changes in items other than those in shareholders' equity	**980**	**(153)**	**343**	**1,170**	**1,170**
Balance at March 31, 2018	**¥3,633**	**¥(710)**	**¥(2,278)**	**¥ 645**	**¥59,170**

The accompanying notes are an integral part of the statements.

Thousands of U.S. dollars

				Shareholders' equity	
	Capital stock	Capital surplus	Retained earnings	Treasury stock (Note 21)	Total shareholders' equity
Balance at March 31, 2017	$167,716	$72,822	$273,833	$(1,250)	$513,121
Cash dividends paid			(12,118)		(12,118)
Profit attributable to owners of parent			49,814		49,814
Purchase of treasury stock				(100)	(100)
Net changes in items other than those in shareholders' equity					0
Balance at March 31, 2018	**$167,716**	**$72,822**	**$311,529**	**$(1,350)**	**$550,717**

Thousands of U.S. dollars

	Accumulated other comprehensive income (loss)				
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits liability adjustments (Note 10)	Total accumulated other comprehensive income (loss)	Total net assets
Balance at March 31, 2017	$24,967	$(5,241)	$(24,666)	$(4,940)	$508,181
Cash dividends paid				0	(12,118)
Profit attributable to owners of parent				0	49,814
Purchase of treasury stock				0	(100)
Net changes in items other than those in shareholders' equity	9,217	(1,442)	3,228	11,003	11,003
Balance at March 31, 2018	**$34,184**	**$(6,683)**	**$(21,438)**	**$ 6,063**	**$556,780**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Operating activities :			
Profit before income taxes	¥ 7,098	¥ 4,813	$ 66,793
Depreciation and amortization	4,520	4,765	42,532
Bond issuance cost	64	44	599
Impairment loss	66	14	621
Increase (decrease) in provision for bonuses	204	(17)	1,924
Increase (decrease) in provision for product warranties	(1,056)	(714)	(9,936)
Increase (decrease) in liability for retirement benefits	126	(135)	1,182
Interest and dividends income	(446)	(386)	(4,196)
Interest expenses	312	410	2,937
Decrease (increase) in notes and accounts receivable-trade	(150)	63	(1,413)
Decrease (increase) in inventories	(1,847)	987	(17,382)
Decrease (increase) in consumption taxes refund receivable	(283)	402	(2,661)
Decrease (increase) in accounts receivable-other	(127)	132	(1,196)
Increase (decrease) in notes and accounts payable-trade	407	(1,034)	3,826
Loss on disposal of property, plant and equipment	21	90	198
Other, net	1,197	(1,600)	11,271
Sub total	10,106	7,834	95,099
Interest and dividends received	458	381	4,312
Interest paid	(306)	(421)	(2,878)
Income taxes paid	(923)	(182)	(8,689)
Net cash provided by operating activities	9,335	7,612	87,844
Investing activities:			
Purchases of investment securities	(20)	—	(188)
Proceeds from sales of investment securities	3	—	32
Purchase of property, plant and equipment	(4,091)	(3,193)	(38,497)
Proceeds from sales of property, plant and equipment	37	467	350
Purchase of intangible assets	(751)	(647)	(7,067)
Other, net	(1)	(164)	(16)
Net cash used in investing activities	(4,823)	(3,537)	(45,386)
Financing activities:			
Net increase (decrease) in short-term loans payable	—	(0)	—
Proceeds from long-term loans payable	3,500	5,000	32,935
Repayment of long-term loans payable	(7,289)	(7,419)	(68,589)
Proceeds from issuance of bonds	2,436	1,956	22,926
Redemption of bonds	(150)	(2,475)	(1,411)
Purchase of treasury stock	(8)	(3)	(79)
Repayment for finance lease obligations	(226)	(201)	(2,131)
Cash dividends paid	(1,288)	(1,288)	(12,118)
Net cash used in financing activities	(3,025)	(4,430)	(28,467)
Effect of exchange rate change on cash and cash equivalents	(133)	(278)	(1,251)
Net increase (decrease) in cash and cash equivalents	1,354	(633)	12,740
Cash and cash equivalents at beginning of the year	38,272	38,905	360,138
Cash and cash equivalents at end of the year (Note 4)	¥39,626	¥38,272	$372,878

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries

1. Basis of presentation

(1) Accounting principles and presentation

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

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau (a regional branch organization of the Ministry of Finance in Japan) have been reclassified in these accounts for the convenience of readers outside Japan.

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

(2) Scope of consolidation

The Company had 20 subsidiaries (controlling companies whose decision-making is controlled) as of March 31, 2018 and had 20 subsidiaries as of March 31, 2017.

The consolidated financial statements for the years ended March 31, 2018 and 2017 include the accounts of the Company and its 18 subsidiaries, respectively.

The major consolidated subsidiaries were listed below.

	Equity ownership percentage
• Akita Shindengen Co., Ltd.	100.0%
• Higashine Shindengen Co., Ltd.	100.0%
• Okabe Shindengen Co., Ltd.	100.0%
• Lumphun Shindengen Co., Ltd.	100.0%
• Shindengen (Thailand) Co., Ltd.	100.0%

In the accompanying consolidated financial statements, the accounts of the 11 overseas subsidiaries at December 31, 2017 and for the year then ended were consolidated with the accounts of the Company at March 31, 2018 and for the year then ended, as their fiscal year ends on December 31.

The remaining 2 unconsolidated subsidiaries as of March 31, 2018 were insignificant in terms of total assets, net sales, profit or loss and retained earnings and therefore have been excluded from consolidation.

The major unconsolidated subsidiary was listed below.

• Shindengen Lao Co., Ltd.

(3) Elimination and consolidation

For the purpose of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated, and the portion attributable to non-controlling interests is charged (credited) to non-controlling interests.

(4) Investments in unconsolidated subsidiaries and affiliates

The Company had 2 unconsolidated subsidiaries and 2 affiliates (influencing companies whose financial and operating or business decision making can be influenced to a material degree, and which are not subsidiaries) at March 31, 2018.

The investments in 2 affiliates are accounted for using the equity method. Investments in unconsolidated subsidiaries not accounted for using the equity method are stated at cost less impairment loss, due to their insignificant effect on the consolidated financial statements.

The major affiliate accounted for by the equity method was listed below.

• Shindengen Mechatronics Co., Ltd.

(5) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

Assets, liabilities and net assets of overseas subsidiaries are translated into Japanese yen using the exchange rates prevailing at the balance sheet date except shareholders' equity, which is translated at the historical rates. In addition, up to the year ended March 31, 2017, profit and loss accounts were translated into Japanese yen using the exchange rates prevailing at the balance sheet date.

However, as the ratio of profit or loss attributable to overseas subsidiaries is increasing in significance and fluctuations in the exchange rate market can occur rapidly, the Company decided to change the rate used for translating profit and loss accounts of overseas subsidiaries to the average exchange rate for the year effective the year ended March 31, 2018. Therefore, profit and loss accounts for the year were translated into Japanese yen using the average exchange rate for the year.

Differences in Japanese yen amounts arising from the use of different exchange rates are presented as "Foreign currency translation adjustment" in the accompanying consolidated financial statements.

The effects of changing the exchange rates used for the year ended March 31, 2017 were as follows: sales, operating income profit before income taxes and comprehensive income attributable to owners of parent decreased by ¥2,274 million, ¥136 million, ¥136 million, and ¥120 million, respectively. In addition, retained earnings increased by ¥76 million and total accumulated other comprehensive loss decreased by ¥76 million compared with the amounts previously recorded using the exchange rates prevailing at the balance sheet date.

(6) Revaluation of assets and liabilities of subsidiaries
The Company adopts the "full fair value method" in which all assets and liabilities of the subsidiaries are remeasured at fair value as of the acquisition of the control.

(7) Cash and cash equivalents
Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits, which are able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

2. Summary of significant accounting policies

(1) Financial instruments
(A) Securities
Securities held by the Company and its subsidiaries are classified into two categories: "held-to maturity", or "other securities". Held-to maturity securities are carried at cost.

Mark-to-market accounting is adopted for other securities. In accordance with this method, these securities with market quotations are carried at fair value that is reasonably determinable based on current market quotes on the balance sheet date, with net unrealized gains and losses, net of related tax, reported separately in net assets. Realized gains or losses on securities sold are determined based on the moving-average method. If fair value is not available, securities are carried at cost, which is determined by the moving-average method.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly and such impairment of the value is not deemed temporary, these securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(B) Derivatives
All derivatives are carried at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments".

(2) Inventories
Inventories held by the Company and the domestic consolidated subsidiaries are carried at cost, which is determined principally by the average method (reducing book value of inventories when their contribution to profitability declines).

Inventories held by overseas consolidated subsidiaries are valued at the lower of cost or market value, which is determined by the moving average method.

(3) Depreciation method for tangible assets (excluding lease assets)
Depreciation for property, plant and equipment held by the Company and its domestic consolidated subsidiaries is calculated using the declining-balance method. Depreciation of property, plant and equipment held by overseas consolidated subsidiaries is calculated primarily by the straight-line method.

The estimated useful lives of assets are principally as follows:
- Buildings - 3 to 50 years
- Machinery and equipment - 4 to 10 years

(4) Amortization method for intangible assets (excluding lease assets)
Amortization for software and other intangible assets is calculated based on the straight-line method over 5 years of their estimated useful lives.

(5) Depreciation method for lease assets
Depreciation for lease assets is calculated based on the straight-line method over the lease period assuming no residual value.

(6) Allowance for doubtful accounts
The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience over a certain period.

(7) Provision for bonuses
Provision for bonuses is provided based on the amount of expected future payments of bonuses, attributable to the fiscal year.

(8) Provision for product warranties
The Company estimates and accrues the costs of warranty repair for products sold in reserve for future expenses.

(9) Retirement benefits
Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

The unrecognized prior service costs are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the year in which they arise, and unrecognized actuarial differences are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the next year in which they arise.

(10) Foreign currency translation
All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

(11) Hedge accounting
Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Hedging instruments are interest rate swap transactions and hedged items are interest of loans payable. The Companies enter into interest rate swap transactions in order to reduce future interest rate risks from financial liabilities.

(12) Income taxes
The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Companies adopt deferred tax accounting. Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax bases of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with a deduction of the valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(13) Profit attributable to owners of parent per share
Profit attributable to owners of parent per share is based upon the weighted average number of shares of common stock outstanding less the number of treasury stock during each period.

(14) Goodwill
Amortization for goodwill is calculated based on the straight-line method over 5 years.

(15) Consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(16) Accounting standards issued but not yet effective
On March 30, 2018, 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 from customers:
1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a 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 evaluation the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

3.United States dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥ 106.27=U.S. $ 1, the approximate rate of exchange prevailing at March 31, 2018 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

4.Cash flow information

Cash and cash equivalents as of March 31, 2018 and 2017 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Cash and deposits	**¥33,059**	¥33,691	**$311,081**
Securities (Certificate of deposit)	**7,000**	5,000	**65,870**
Time deposits with deposit term of over 3 months	**(433)**	(419)	**(4,073)**
Cash and cash equivalents	**¥39,626**	¥38,272	**$372,878**

Significant finance lease transactions without cash flow for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Lease assets	**¥512**	¥402	**$4,819**
Lease obligations	**546**	436	**5,137**

5. Inventories

Inventories held by the Companies as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Finished products	¥ 7,243	¥ 6,616	$ 68,160
Raw materials	9,094	8,386	85,578
Work in process	3,709	3,810	34,902
	¥20,046	¥18,812	$188,640

The cost of sales includes write-downs of inventories of ¥821 million ($7,722 thousand), and ¥357 million for the years ended March 31, 2018 and 2017, respectively, reflecting reduced profitability of inventory held for normal sales purposes.

6. Financial instruments

① Overview

(1) Policy for financial instruments

The Companies raise funds mainly through bank borrowings and issuing bonds. The Companies manage temporary cash surpluses through low-risk and short-term financial assets. The Companies uses derivatives for the purpose of reducing risks, and does not enter into derivatives for speculative purposes.

(2) Types of financial instruments and related risk

Trade receivables (notes and accounts receivable-trade) are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Held-to-maturity securities (certificate of deposit) are exposed to credit risk, but the Companies believe that it is insignificant as it enters only with financial institutions which have a sound credit profile.

Investment securities (mainly composed of the shares of common stock) are exposed to market risk.

Trade payables (notes and accounts payable-trade) have payment due dates within 1 year. Trade payables denominated in foreign currency are exposed to foreign currency exchange risk.

Short-term loans payable are raised mainly in connection with funding the working capital. Long-term loans payable, bonds payable, and lease obligations are taken out mainly for the purpose of making capital investments, settled within 10 years from the balance sheet date, and partially exposed to interest rate fluctuation risk.

Regarding derivatives, the Companies enter into forward foreign exchange contracts to reduce future foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The forward exchange contracts volume is limited to the balance of each asset or liability denominated in foreign currencies. The Companies enter into interest rate swap transactions to reduce future interest rate risks deriving from financial assets or liabilities. The amount of the swap contracts is limited to the balance of the underlying financial assets or liabilities. Forward foreign exchange contracts are exposed to currency rate fluctuation risks. Interest rate swap transactions are exposed to interest rate risks.

Information regarding the method of hedge accounting, hedging instruments, hedged items, and hedging policy is disclosed in "Hedge accounting".

(3) Risk management for financial instruments

(A) Monitoring of credit risks (default of the customers, or other)

In accordance with the Company's internal rule "Management rule of operating receivables", the Sales Dept. and Finance Dept. periodically monitor the balance of transactions involving main customers, as a part of balance management, and grasp at an early stage any increase in customer credit risks from deterioration in financial condition or other phenomenon. In the subsidiary companies, there are almost the same management systems according to "Management rule of operating receivables". The Companies also believe that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(B) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company has "Management rule of derivatives" that sets forth basic policy, procedures, and upper position limits on derivative transactions. Based on this rule, the Finance Dept. executes derivative contracts. The status of each transaction is reported at the board of director's meeting on a quarterly basis. The same rule is adopted and followed by its subsidiaries. For marketable securities and investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company monitors the market price for stocks with market values on a quarterly basis.

(C) Monitoring of liquidity risk (the risk that the Companies may not be able to meet their obligations on scheduled due dates)

The Company prepares and updates its cash flow plans on a timely basis, and maintains the liquidity on hand to manage liquidity risk.

(4) Supplementary explanation of the estimated 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 18, Derivatives and hedging activities, are not necessarily indicative of the actual market risk involved in derivative transactions.

② Estimated fair value of financial instruments

Carrying value, estimated fair value, and unrealized gain (loss) of financial instruments on the consolidated financial balance sheets as of March 31, 2018, and 2017 are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included (Please refer to Note 2 below).

	Millions of yen		
	2018		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	¥33,059	¥33,059	¥ —
(2) Notes and accounts receivable-trade	19,337	19,337	—
(3) Securities (Certificate of deposit)	7,000	7,000	—
(4) Income taxes receivable	485	485	—
(5) Investment securities	13,190	13,190	—
Assets total	73,071	73,071	—
(1) Notes and accounts payable-trade	14,495	14,495	—
(2) Short-term loans payable	7,425	7,425	—
(3) Current portion of bonds	500	500	—
(4) Lease obligations (short-term)	257	257	—
(5) Income taxes payable	934	934	—
(6) Bonds payable	4,775	4,777	2
(7) Long-term loans payable	17,025	17,019	(6)
(8) Lease obligations (long-term)	658	607	(51)
Liabilities total	¥46,069	46,014	(55)
Derivatives (Note)	¥ 4	¥ 4	¥ —

	Millions of yen		
	2017		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	¥33,691	¥33,691	¥ —
(2) Notes and accounts receivable-trade	19,258	19,258	—
(3) Securities (Certificate of deposit)	5,000	5,000	—
(4) Income taxes receivable	619	619	—
(5) Investment securities	11,777	11,777	—
Assets total	¥70,345	¥70,345	—
(1) Notes and accounts payable-trade	14,283	14,283	—
(2) Short-term loans payable	7,293	7,293	—
(3) Current portion of bonds	150	150	—
(4) Lease obligations (short-term)	212	212	—
(5) Income taxes payable	340	340	—
(6) Bonds payable	2,775	2,783	8
(7) Long-term loans payable	20,950	21,110	160
(8) Lease obligations (long-term)	434	394	(40)
Liabilities total	¥46,437	¥46,565	¥128
Derivatives (Note)	¥ (62)	¥ (62)	¥ —

	Thousands of U.S. dollars		
	2018		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	$311,081	$311,081	$ —
(2) Notes and accounts receivable-trade	181,958	181,958	—
(3) Securities (Certificate of deposit)	65,870	65,870	—
(4) Income taxes receivable	4,561	4,561	—
(5) Investment securities	124,114	124,114	—
Assets total	687,584	687,584	—
(1) Notes and accounts payable-trade	136,398	136,398	—
(2) Short-term loans payable	69,869	69,869	—
(3) Current portion of bonds	4,705	4,705	—
(4) Lease obligations (short-term)	2,423	2,423	—
(5) Income taxes payable	8,786	8,786	—
(6) Bonds payable	44,933	44,952	19
(7) Long-term loans payable	160,205	160,147	(58)
(8) Lease obligations (long-term)	6,194	5,716	(478)
Liabilities total	$433,513	$432,996	$(517)
Derivatives (Note)	$ 37	$ 37	$ —

Note: The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

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

(Assets)

(1) Cash and deposits
(2) Notes and accounts receivable-trade
(3) Securities (Certificate of deposit)
(4) Income taxes receivable

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

(5) Investment securities

The fair value of stocks held as other securities is based on quoted market prices. Information of marketable securities and investments classified by holding purpose are disclosed in "securities".

(Liabilities)

(1) Notes and accounts payable-trade
(2) Short-term loans payable
(3) Current portion of bonds
(4) Lease obligations (short term)
(5) Income taxes payable

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

(6) Bonds payable

(8) Lease obligations (long-term)
The fair values of bonds payable and lease obligations are based on the present values of the total of principal and interest discounted by an interest rate determined, taking into account their remaining period, and credit risks of the Company itself.
(7) Long-term loans payable
The fair values of long-term loans payable are based on the present value of the total of principal and interest discounted by an interest rate determined, taking into account their remaining period, and credit risks of the Company itself. Since the deferral hedge accounting has been applied, the market value of interest swap contracts is included in fair value of the long-term loans payable with floating interest rates.

(Derivatives)
Disclosed in “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
	2018	2017	**2018**
Unlisted stocks	**¥2,843**	¥2,557	**$26,775**

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 above “(5) Investment securities”.

Note 3. Redemption schedule for receivables.

Millions of yen

March 31, 2018	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**¥33,049**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable-trade	**19,337**	**—**	**—**	**—**
Securities (Certificate of deposit)	**7,000**	**—**	**—**	**—**
Total	**¥59,386**	**¥—**	**¥—**	**¥—**

Millions of yen

March 31, 2017	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥33,685	¥—	¥—	¥—
Notes and accounts receivable-trade	19,258	—	—	—
Securities (Certificate of deposit)	5,000	—	—	—
Total	¥57,943	¥—	¥—	¥—

Thousands of U.S. dollars

March 31, 2018	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**$310,994**	**$—**	**$—**	**$—**
Notes and accounts receivable-trade	**181,958**	**—**	**—**	**—**
Securities (Certificate of deposit)	**65,870**	**—**	**—**	**—**
Total	**$558,822**	**$—**	**$—**	**$—**

Note 4. The redemption schedule for bonds payable, long-term loans payable, lease obligations (long-term), and other liabilities.

Millions of yen

March 31, 2018	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
Short-term loans payable	**¥7,425**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Current portion of bonds	**500**	**—**	**—**	**—**	**—**	**—**
Lease obligations (short-term)	**257**	**—**	**—**	**—**	**—**	**—**
Bonds payable	**—**	**975**	**1,100**	**1,025**	**950**	**725**
Long-term loans payable	**—**	**5,800**	**4,225**	**3,350**	**2,350**	**1,300**
Lease obligations (long-term)	**—**	**217**	**184**	**202**	**50**	**5**
Total	**¥8,182**	**¥6,992**	**¥5,509**	**¥4,577**	**¥3,350**	**¥2,030**

Millions of yen

March 31, 2017	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
Short-term loans payable	¥7,293	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of bonds	150	—	—	—	—	—
Lease obligations (short-term)	212	—	—	—	—	—
Bonds payable	—	500	600	600	525	550
Long-term loans payable	—	7,425	5,400	3,525	2,650	1,950
Lease obligations (long-term)	—	163	124	93	42	12
Total	¥7,655	¥8,088	¥6,124	¥4,218	¥3,217	¥2,512

Thousands of U.S. dollars

March 31, 2018	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
Short-term loans payable	**$69,869**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Current portion of bonds	**4,705**	**—**	**—**	**—**	**—**	**—**
Lease obligations (short-term)	**2,423**	**—**	**—**	**—**	**—**	**—**
Bonds payable	**—**	**9,175**	**10,351**	**9,645**	**8,940**	**6,822**
Long-term loans payable	**—**	**54,578**	**39,757**	**31,524**	**22,113**	**12,233**
Lease obligations (long-term)	**—**	**2,038**	**1,737**	**1,899**	**474**	**46**
Total	**$76,997**	**$65,791**	**$51,845**	**$43,068**	**$31,527**	**$19,101**

7. Securities

Information regarding securities classified as held-to-maturity securities and other securities (stock) as of March 31, 2018 and 2017 are as follows:

Held-to-maturity securities (Certificate of deposit)

Millions of yen

2018	Carrying value	Fair value	Unrealized gain (loss)
Securities with carrying value exceeding fair value	**¥ —**	**¥ —**	**¥—**
Securities with carrying value not exceeding fair value	**7,000**	**7,000**	**—**
Total	**¥7,000**	**¥7,000**	**¥—**

Millions of yen

2017	Carrying value	Fair value	Unrealized gain (loss)
Securities with carrying value exceeding fair value	¥ —	¥ —	¥—
Securities with carrying value not exceeding fair value	5,000	5,000	—
Total	¥5,000	¥5,000	¥—

Thousands of U.S. dollars

2018	Carrying value	Fair value	Unrealized gain (loss)
Securities with carrying value exceeding fair value	**$ —**	**$ —**	**$—**
Securities with carrying value not exceeding fair value	**65,870**	**65,870**	**—**
Total	**$65,870**	**$65,870**	**$—**

Other securities (stock)

Millions of yen

2018	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	**¥13,187**	**¥8,015**	**¥5,172**
Other securities with carrying values not exceeding acquisition costs	**2**	**3**	**(1)**
Total	**¥13,189**	**¥8,018**	**¥5,171**

	Millions of yen		
	2017		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	¥11,774	¥8,015	¥3,759
Other securities with carrying values not exceeding acquisition costs	3	3	(1)
Total	¥11,777	¥8,018	¥3,758

	Thousands of U.S. dollars		
	2018		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	**$124,090**	**$75,424**	**$48,666**
Other securities with carrying values not exceeding acquisition costs	**23**	**33**	**(10)**
Total	**$124,113**	**$75,457**	**$48,656**

Unlisted stocks are not included in the above tables because there are no quoted market prices available and it is extremely difficult to determine the fair value.

Carrying values of securities without fair value as of March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unlisted stocks	**¥78**	¥78	**$734**

8. Accumulated depreciation

The accumulated depreciation of property, plant and equipment as of March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Property, plant and equipment	**¥86,257**	¥84,316	**$811,680**

9. Short-term borrowings and long-term debt

Short-term borrowings and long-term debt at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current portion of long-term debt	**¥ 7,425**	¥ 7,293	**$ 69,869**
Current portion of bonds	**500**	150	**44,933**
Current portion of lease obligations	**257**	212	**2,423**
Long-term debt	**22,458**	24,159	**211,332**
	¥30,640	¥31,814	**$288,329**

Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Long-term loans from banks and other financial institutions	**¥24,450**	¥28,243	**$230,074**
0.55% bonds due June 30, 2021	**325**	425	**3,059**
0.49% bonds due September 30, 2022	**450**	500	**4,235**
0.23% bonds due June 30, 2023	**500**	500	**4,705**
0.14% bonds due March 31, 2023	**750**	750	**7,057**
0.14% bonds due June 30, 2023	**750**	750	**7,057**
0.051% bonds due March 29, 2024	**1,000**	—	**9,410**
0.059% bonds due June 28, 2024	**1,000**	—	**9,410**
0.25% bonds due June 28, 2024	**500**	—	**4,705**
Lease obligations	**915**	646	**8,617**
	30,640	31,814	**288,329**
Less: Current portion	**(8,182)**	(7,655)	**(76,997)**
	¥22,458	¥24,159	**$211,332**

The approximate weighted average interest rate of long-term loans from banks as of March 31, 2018 is 0.9%.

The aggregate annual maturity of long-term debt outstanding as of March 31, 2018 during the succeeding five-year period (except within one year) is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥6,992	$65,791
2020	5,509	51,845
2021	4,577	43,068
2022	3,350	31,527

10. Retirement plans and severance indemnities

The Company and its consolidated domestic subsidiaries have a funded pension program to cover the employees' retirement benefits. The amount of such retirement benefits is determined by reference to the latest rate of pay, length of service and conditions under which retirement occurs.

Certain overseas subsidiaries provide defined contribution pension plans.

As Shindengen Device Commerce Co., Ltd. was merged into the Company, it changed its calculation method of retirement benefit obligations to that of the Company.

The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at the beginning of the year	**¥27,006**	¥26,436	**$254,122**
Service cost	**1,389**	1,417	**13,067**
Interest cost	**81**	78	**760**
Past service cost	**82**	(67)	**775**
Actuarial gain or loss	**64**	(398)	**604**
Retirement benefit paid	**(517)**	(521)	**(4,861)**
Other	**(39)**	62	**(369)**
Balance at the end of the year	**¥28,066**	¥27,006	**$264,098**

The changes in plan assets during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at the beginning of the year	**¥10,558**	¥ 8,847	**$ 99,350**
Expected return on plan assets	**34**	29	**318**
Actuarial gain or loss	**278**	185	**2,613**
Contributions by the Company	**1,387**	1,813	**13,050**
Retirement benefits paid	**(268)**	(293)	**(2,521)**
Other	**(8)**	(23)	**(67)**
Balance at the end of the year	**¥11,981**	¥10,558	**$112,743**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and consolidated subsidiaries' defined benefit plans.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligation	**¥15,534**	¥15,002	**$146,175**
Plan assets as fair value	**(11,981)**	(10,558)	**(112,743)**
	3,553	4,444	**33,432**
Unfunded retirement benefit obligation	**12,531**	12,004	**117,923**
Net liability for retirement benefits in the balance sheet	**16,084**	16,448	**151,355**
Liability for retirement benefits	**16,084**	16,448	**151,355**
Net liability for retirement benefits in the balance sheet	**¥16,084**	¥16,448	**$151,355**

The components of retirement benefit expense for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	**¥1,389**	¥1,417	**$13,067**
Interest cost	**81**	78	**760**
Expected return on plan assets	**(34)**	(29)	**(318)**
Amortization of actuarial difference	**359**	425	**3,376**
Amortization of prior service cost	**1**	(63)	**13**
Other	**1**	79	**7**
Retirement benefit expense	**¥1,797**	¥1,907	**$16,905**

The components of retirement benefits liability adjustments (before tax effect), included in other comprehensive income (loss) for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial difference	**¥572**	¥1,009	**$5,386**
Prior service cost	**(81)**	5	**(762)**
Total	**¥491**	¥1,014	**$4,624**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost	¥ 94	¥ 13	$ 881
Unrecognized actuarial difference	3,151	3,723	29,653
Total	¥3,245	¥3,736	$30,534

The fair value of plan assets, by major categories, as a percentage of total plan assets as of March 31, 2018 and 2017 are as follows:

	2018	2017
Bonds	66%	66%
Stocks	27%	26%
Cash on hand and in banks	7%	8%
Other	0%	0%
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2018	2017
Discount rates	0.2%-0.3%	0.2%-0.3%
Expected rates of return on plan assets	0.2%-0.3%	0.2%-0.3%
Expected future salary increases rates	2.4%-3.7%	2.4%-3.7%

11. Contingent liabilities

The Companies were contingently liable for guarantees of housing loans of employees as of March 31, 2018 and 2017 as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Housing loans of employees	¥46	¥56	$432

12. Income taxes

At March 31, 2018 and 2017, significant components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Liability for retirement benefits	¥4,834	¥4,952	$45,486
Depreciation and amortization	323	304	3,040
Provision for bonuses	347	286	3,264
Allowance for doubtful accounts	13	14	126
Loss on valuation of inventories	281	228	2,646
Impairment loss	197	197	1,856
Loss carried forward for tax purposes	—	12	—
Other	2,667	2,693	25,094
Subtotal of deferred tax assets	8,662	8,686	81,512
Less valuation allowance	(996)	(816)	(9,378)
Total of deferred tax assets	7,666	7,870	72,134
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(1,535)	(1,101)	(14,441)
Goodwill	—	(4)	—
Asset retirement obligations	(2)	(2)	(21)
Other	(213)	(112)	(2,003)
Total of deferred tax liabilities	(1,750)	(1,219)	(16,465)
Net deferred tax assets	¥5,916	¥6,651	$55,669

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current assets – deferred tax assets	¥1,058	¥ 719	$ 9,959
Investments and other assets – deferred tax assets	4,958	6,022	46,651
Current liabilities – deferred tax liabilities	—	—	—
Long term liabilities – deferred tax liabilities	(100)	(89)	(942)

The reconciliation between the effective tax rates reflected in the Consolidated Statements of Income and Comprehensive Income and statutory tax rates for the years ended March 31, 2018 and 2017 are as follows:

	2018	2017
Statutory tax rate	30.9%	30.9%
Effect of:		
Non-deductible items such as entertainment	0.6	0.4
Non-deductible items such as entertainment, dividend received	(4.0)	(5.7)
Effect of changes in tax rates	—	0.2
Dividend received from overseas consolidated subsidiaries	5.0	5.6
Special tax credit	(2.0)	0.0
Different tax rate applied to overseas consolidated subsidiaries	(2.8)	(4.3)
Reduced tax rates differences	—	(0.2)
Tax loss carryforwards	—	(3.1)
Others	(2.3)	5.4
Effective tax rate	25.4%	29.2%

13. Major items in selling, general and administrative expenses

Major items in selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Freight and transportation	¥1,984	¥1,904	¥18,671
Employees' salaries and wages	2,699	2,542	25,393
Provision for bonuses	184	142	1,736
Net pension expenses related to retirement benefits	415	418	3,901
Research and development expenses	2,656	2,482	24,990

14. Research and development expenses

Research and development expenses charged to income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Research and development expenses	¥5,496	¥5,044	$51,717

15. Impairment loss

For the years ended March 31, 2018 and 2017, the Company recognized impairment loss on the following asset groups.

(Summary of assets group which recognized impairment loss)

For the year ended March 31, 2018

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Idle assets	Land, Building, etc.	Oishida-chou Yamagata-ken	¥46	$432
Idle assets	Machinery	Hanno-shi Saitama-ken	¥20	$189

For the year ended March 31, 2017

Use	Type of assets	Location	Millions of yen
Idle assets	Building	Koufu-shi Yamanashi-ken	¥14

(Recognition of impairment loss)

For the year ended March 31, 2018, the carrying amount of idle assets was reduced to the recoverable amount, due to a decline in the fair value. As a result, the Company recognized impairment loss. The details of impairment loss are as follows;

For the year ended March 31, 2018

Type of assets	Millions of yen	Thousands of U.S. dollars
Land	¥28	$268
Machinery	20	189
Building	15	143
Structure	3	21
Total	¥66	$621

For the year ended March 31, 2017, the carrying amount of idle assets was reduced to the recoverable amount, due to a decline in the fair value. As a result, the Company recognized impairment loss. The details of impairment loss are as follows;

For the year ended March 31, 2017

Type of assets	Millions of yen	Thousands of U.S. dollars
Land	¥ 9	$ 80
Building	3	26
Structure	2	20
Equipment	0	1
Total	¥14	$127

(Assets grouping)

The assets grouping was based on the management accounting classification, taking into account the cash flow interaction from the similarity of manufacturing processes.

(Calculation of recoverable amount)

For the years ended March 31, 2018 and 2017, the recoverable amount of the idle assets was measured at the net sales value primarily calculated in accordance with *"Japanese Real Estate Appraisal Standards"* and adjusted by *"assessed value of fixed assets under property tax"*.

16. Gain on sales of fixed assets

Gain on sales of fixed assets for the years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Land and building	**¥—**	¥224	**$—**

17. Comprehensive income

Reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unrealized holding gain on available-for-sale securities			
Amount arising during the year	**¥1,413**	¥1,241	**$13,295**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**1,413**	1,241	**13,295**
Income tax effect	**(434)**	(354)	**(4,078)**
Total	**979**	887	**9,217**
Foreign currency translation adjustment			
Amount arising during the year	**(47)**	(472)	**(439)**
Retirement benefits liability adjustments			
Amount arising during the year	**131**	651	**1,235**
Reclassification adjustments to profit or loss	**360**	362	**3,389**
Amount before income tax effect	**491**	1,013	**4,624**
Income tax effect	**(148)**	(308)	**(1,396)**
Total	**343**	705	**3,228**
Share of other comprehensive income (loss) of affiliates accounted for using equity method			
Amount arising during the year	**(106)**	35	**(1,003)**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**(106)**	35	**(1,003)**
Income tax effect	**—**	—	**—**
Total	**(106)**	35	**(1,003)**
Total other comprehensive income	**¥1,169**	¥1,155	**$11,003**

18. Derivatives and hedging activities

Outstanding forward currency exchange contracts at March 31, 2018 and 2017 are shown below, except for transactions using hedge accounting.

	Millions of yen		
At March 31, 2018	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Indonesia rupiah	**¥952**	**¥2**	**¥2**
Thai baht	**274**	**0**	**0**
Vietnamese dong	**150**	**1**	**1**

	Millions of yen		
At March 31, 2017	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Indonesia rupiah	¥1,795	¥(57)	¥(57)
Thai baht	268	(0)	(0)
Vietnamese dong	1,107	(62)	(62)

	Thousands of U.S. dollars		
At March 31, 2018	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Indonesia rupiah	**$8,962**	**$23**	**$23**
Thai baht	**2,575**	**4**	**4**
Vietnamese dong	**1,411**	**10**	**10**

(Calculation of fair value)

• Forward currency exchange contracts

The estimated fair value of these forward currency exchange contracts was determined using forward foreign exchange rate at March 31, 2018 and 2017.

Interest rate swap contracts accounted for using hedge accounting at March 31, 2018 and 2017 are as follows:

	Millions of yen		
At March 31, 2018	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	**¥13,275**	**¥9,175**	**¥—**

	Millions of yen		
At March 31, 2017	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	¥16,375	¥12,275	¥—

	Thousands of U.S. dollars		
At March 31, 2018	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	**$124,918**	**$86,337**	**$—**

Note: Interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria were not re-measured at market value and the fair value of such interest rate swap contracts were included in that of the long-term loans payable.

19. Leases

(Finance lease transactions which do not transfer ownership of the assets)

The leased tangible assets were principally research and development equipments (machinery), and the leased intangible asset was software.

Depreciation of leased assets is calculated as disclosed in Note 2 (5).

20. Segment information

(1) Reportable segment overview

The Company's reportable operating segments are components of an entity for which separate financial information is available, and they are evaluated regularly by the board of directors in determining the allocation of management resources and in assessing performance.

The Company formulates comprehensive domestic and overseas strategies for the products that its business divisions provide.

The Company's business is organized into three reportable segments — Device business, Car Electronics business and Next Generation Energy business — which form the base of its business divisions.

The Device business manufactures diodes, thyristors, MOSFET, high-withstand voltage power ICs and power modules. The Car Electronics business mainly manufactures electronics components for motorcycles and automobiles, along with general purpose inverters. The Next Generation Energy business primarily manufactures power conditioners for photovoltaic generators, power storage systems, recharging stands for electric vehicles, power supplies for information and communication equipment.

(2) Method of calculating sales, income (loss), identifiable assets/liabilities and other items by reportable segment

The accounting method for calculating sales, income (loss), identifiable assets / liabilities and other items by reportable segment is based on the same method applied to consolidated financial statements. Income by reportable segment is based on operating income. In addition, inter-segment sales and transfers are primarily based on market prices or manufacturing costs.

Changes in the amounts of sales and segments income (loss) as a result of applying the average exchange rate for the year are as follows;

1. Device business sales and segment income decreased by ¥608 million and ¥20 million, respectively.
2. Car Electronic business sales and segment income decreased by ¥1,662 million and ¥117 million, respectively.
3. Next Generation Energy business sales and segment loss decreased by ¥0 million and ¥1 million, respectively.
4. Other sales and segment income decreased by ¥4 million and ¥0 million, respectively.

(3) Net sales and income or loss and assets by reportable segment

Millions of yen

For the year ended March 31, 2018	Device business	Car Electronics business	Next Generation Energy business	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	¥34,276	¥49,090	¥7,596	¥1,215	¥92,177	¥ —	¥92,177
Inter-segment	5,669	19	—	—	5,688	(5,688)	—
Total	39,945	49,109	7,596	1,215	97,865	(5,688)	92,177
Segment income (loss)	4,316	7,717	(1,945)	66	10,154	(3,300)	6,854
Segment assets	36,283	30,345	5,923	387	72,938	60,769	133,707
Depreciation and amortization	2,209	1,571	284	0	4,064	456	4,520
Increase in property, plant and equipment and intangible assets	3,206	913	174	—	4,293	1,761	6,054

Thousands of U.S. dollars

For the year ended March 31, 2018	Device business	Car Electronics business	Next Generation Energy business	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	$322,537	$461,938	$71,478	$11,433	$867,386	$ —	$ 867,386
Inter-segment	53,346	180	—	—	53,526	(53,526)	—
Total	375,883	462,118	71,478	11,433	920,912	(53,526)	867,386
Segment income (loss)	40,610	72,614	(18,300)	628	95,552	(31,061)	64,491
Segment assets	341,426	285,540	55,732	3,645	686,343	571,836	1,258,179
Depreciation and amortization	20,784	14,784	2,669	1	38,238	4,294	42,532
Increase in property, plant and equipment and intangible assets	30,163	8,588	1,640	—	40,391	16,575	56,966

Notes: 1. The "Other" category includes business activities not included in the reportable segments, such as solenoid business.
2. Details of "Adjustments and eliminations" are below:
(1) Segment loss totaling ¥3,300 million ($31,061 thousand) posted under "Adjustments and eliminations" includes "Corporate expenses" that have not been allocated to the reportable segment. "Corporate expenses" are primarily general and administrative expenses that cannot be attributed to any reportable segments.
(2) Segment assets totaling ¥60,769 million ($571,836 thousand) posted under "Adjustments and eliminations" comprise corporate assets of ¥60,543 million ($569,711 thousand) not allocated to the reportable segments and other adjustments of ¥226 million ($2,125 thousand).
(3) Depreciation and amortization totaling ¥456 million ($4,294 thousand) posted under "Adjustments and eliminations" mainly comprises corporate expenses not attributable to the reportable segments.
(4) The increases in property, plant and equipment and intangible assets amounting to ¥1,761 million ($16,575 thousand) posted under "Adjustments and eliminations" mainly comprises corporate assets not attributable to the reportable segments.
3. Segment income (loss) is adjusted to operating income stated on the Consolidated Statement of Income and Comprehensive Income for the year ended March 31, 2018.

Millions of yen

For the year ended March 31, 2017	Device business	Car Electronics business	Next Generation Energy business	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	¥30,654	¥45,740	¥11,092	¥2,929	¥90,415	¥ —	¥ 90,415
Inter-segment	5,990	22	—	—	6,012	(6,012)	—
Total	36,644	45,762	11,092	2,929	96,427	(6,012)	90,415
Segment income (loss)	3,457	5,100	(405)	39	8,191	(3,088)	5,103
Segment assets	33,283	29,687	7,711	716	71,397	57,133	128,530
Depreciation and amortization	2,191	1,799	305	0	4,295	470	4,765
Increase in property, plant and equipment and intangible assets	1,985	1,048	157	—	3,190	900	4,090

Notes: 5. The "Other" category includes business activities not included in the reportable segments, such as solenoid business.
6. Details of "Adjustments and eliminations" are below:
(1) Segment loss totaling ¥3,088 million posted under "Adjustments and eliminations" includes "Corporate expenses" that have not been allocated to the reportable segment. "Corporate expenses" are primarily general and administrative expenses that cannot be attributed to any reportable segments.
(2) Segment assets totaling ¥57,133 million posted under "Adjustments and eliminations" comprise corporate assets of ¥57,100 million not allocated to the reportable segments and other adjustments of ¥33 million.
(3) Depreciation and amortization totaling ¥470 million posted under "Adjustments and eliminations" mainly comprises corporate expenses not attributable to the reportable segments.
(4) The increases in property, plant and equipment and intangible assets amounting to ¥900 million posted under "Adjustments and eliminations" mainly comprises corporate assets not attributable to the reportable segments.
7. Segment income (loss) is adjusted to the operating income stated on the Consolidated Statement of Income and Comprehensive Income for the year ended March 31, 2017.

(Related Information)

1. Information by finished product and service

The appropriate information is identical to data disclosed under "Segment Information." Accordingly, this information has been omitted.

2. Information by geographic segment

(1) Net sales

For the year ended March 31, 2018

Millions of yen

Japan	Indonesia	Vietnam	Asia (other)	Other area	Total
¥34,676	**¥13,052**	**¥10,002**	**¥29,237**	**¥5,210**	**¥92,177**

For the year ended March 31, 2017

Millions of yen

Japan	Indonesia	Vietnam	Asia (other)	Other area	Total
¥37,791	¥13,240	¥8,998	¥25,523	¥4,863	¥90,415

For the year ended March 31, 2018

Thousands of U.S. dollars

Japan	Indonesia	Vietnam	Asia (other)	Other area	Total
$326,298	**$122,824**	**$94,122**	**$275,117**	**$49,025**	**$867,386**

Note: Net sales are based on the location of customers classified according to country or region.

(2) Property, plant and equipment

As of March 31, 2018

Millions of yen

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
¥17,819	**¥3,008**	**¥1,994**	**¥3,107**	**¥9**	**¥25,937**

As of March 31, 2017

Millions of yen

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
¥17,054	¥2,498	¥2,321	¥3,139	¥6	¥25,018

As of March 31, 2018

Thousands of U.S. dollars

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
$167,678	**$28,304**	**$18,766**	**$29,240**	**$77**	**¥244,065**

(3) Information by major customer

For the years ended March 31, 2018 and 2017, the major customer that accounted for 10% or more of total net sales recorded in the Consolidated Statements of Income and Comprehensive Income is as follows.

For the year ended March 31, 2018

Millions of yen

Major Customer	Net Sales	Segment
PT Astra Honda Motor	**¥11,364**	Car Electronics business

For the year ended March 31, 2017

Millions of yen

Major Customer	Net Sales	Segment
PT Astra Honda Motor	¥11,743	Car Electronics business

For the year ended March 31, 2018

Thousands of U.S. dollars

Major Customer	Net Sales	Segment
PT Astra Honda Motor	**$106,937**	Car Electronics business

(Information of impairment loss on property, plant and equipment by reportable segment)

For the year ended March 31, 2018

Millions of yen

	Device business	Car Electronics business	Next Generation Energy business	Other	Adjustments and Eliminations	Total
Impairment loss	**¥—**	**¥—**	**¥20**	**¥—**	**¥46**	**¥66**

For the year ended March 31, 2017

Millions of yen

	Device business	Car Electronics business	Next Generation Energy business	Other	Adjustments and Eliminations	Total
Impairment loss	¥—	¥—	¥—	¥—	¥14	¥14

For the year ended March 31, 2018

Thousands of U.S. dollars

	Device business	Car Electronics business	Next Generation Energy business	Other	Adjustments and Eliminations	Total
Impairment loss	**$—**	**$—**	**$189**	**$—**	**$432**	**$621**

(Information of amortization and balance of goodwill by reportable segment)

For the year ended March 31, 2018

Millions of yen

	Device business	Car Electronics business	Next Generation Energy business	Other	Adjustments and Eliminations	Total
Amortization of goodwill	**¥15**	**¥—**	**¥—**	**¥—**	**¥—**	**¥15**
Goodwill as of March 31, 2018	**—**	**—**	**—**	**—**	**—**	**—**

For the year ended March 31, 2017

Millions of yen

	Device business	Car Electronics business	Next Generation Energy business	Other	Adjustments and Eliminations	Total
Amortization of goodwill	¥35	¥—	¥—	¥—	¥—	¥35
Goodwill as of March 31, 2017	15	—	—	—	—	15

For the year ended March 31, 2018

Thousands of U.S. dollars

	Device business	Car Electronics business	Next Generation Energy business	Other	Adjustments and Eliminations	Total
Amortization of goodwill	**$139**	**$—**	**$—**	**$—**	**$—**	**$139**
Goodwill as of March 31, 2018	**—**	**—**	**—**	**—**	**—**	**—**

21. Consolidated statements of changes in net assets

(1) Categories and numbers of stock issued

For the year ended March 31, 2018

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares issued)				
Common stock	**103,389**	**—**	**93,050**	**10,339**
Total	**103,389**	**—**	**93,050**	**10,339**

Note: The decrease in the number of shares is due to the consolidation of shares.

For the year ended March 31, 2017

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares issued)				
Common stock	103,389	—	—	103,389
Total	103,389	—	—	103,389

(2) Categories and numbers of treasury stock

For the year ended March 31, 2018

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares of treasury stock)				
Common stock	**375**	**4**	**340**	**39**
Total	**375**	**4**	**340**	**39**

Note: The decrease in the number of shares is due to the consolidation of shares.

For the year ended March 31, 2017

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
				Thousands of shares
(Shares of treasury stock)				
Common stock	367	8	—	375
Total	367	8	—	375

(3) Dividends

(A) Dividends paid for the year ended March 31, 2018

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2017	Common stock	¥1,288 million	¥12.5	March 31, 2017	June 30, 2017

(B) Dividends paid for the year ended March 31, 2017

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2016	Common stock	¥1,288 million	¥12.5	March 31, 2016	June 30, 2016

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

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 28, 2018	Common stock	¥1,288 million	¥125.00	March 31, 2018	June 29, 2018

(D) Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ended March 31, 2018

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2017	Common stock	¥1,288 million	¥12.5	March 31, 2017	June 30 2017

22. Profit attributable to owners of parent per share

The calculation of profit attributable to owners of parent per share for the years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Profit attributable to owners of parent	**¥5,294**	¥3,389	**$49,814**
Amounts not attributable to common stock	**—**	—	**—**
Profit attributable to owners of parent to common stock	**5,294**	3,389	**49,814**
Weighted average number of ordinary shares (thousands)	**10,301**	10,302	

Diluted profit attributable to owners of parent per share was not calculated herein since the Company had no dilutive securities, such as convertible bonds or warrants.

The Company consolidated 10 shares into 1 share on October 1, 2017. Profit attributable to owners of parent per share is calculated on the assumption that the consolidation of shares had been implemented as of April 1, 2016.

Independent Auditor's Report

Building a better working world

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Independent Auditor's Report

The Board of Directors
Shindengen Electric Manufacturing Co., Ltd.

We have audited the accompanying consolidated financial statements of Shindengen Electric Manufacturing Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income and 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 Shindengen Electric Manufacturing Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, 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 2.

Ernst & Young ShinNihon LLC

June 28, 2018

A member firm of Ernst & Young Global Limited

Corporate Information

As of March 31, 2018

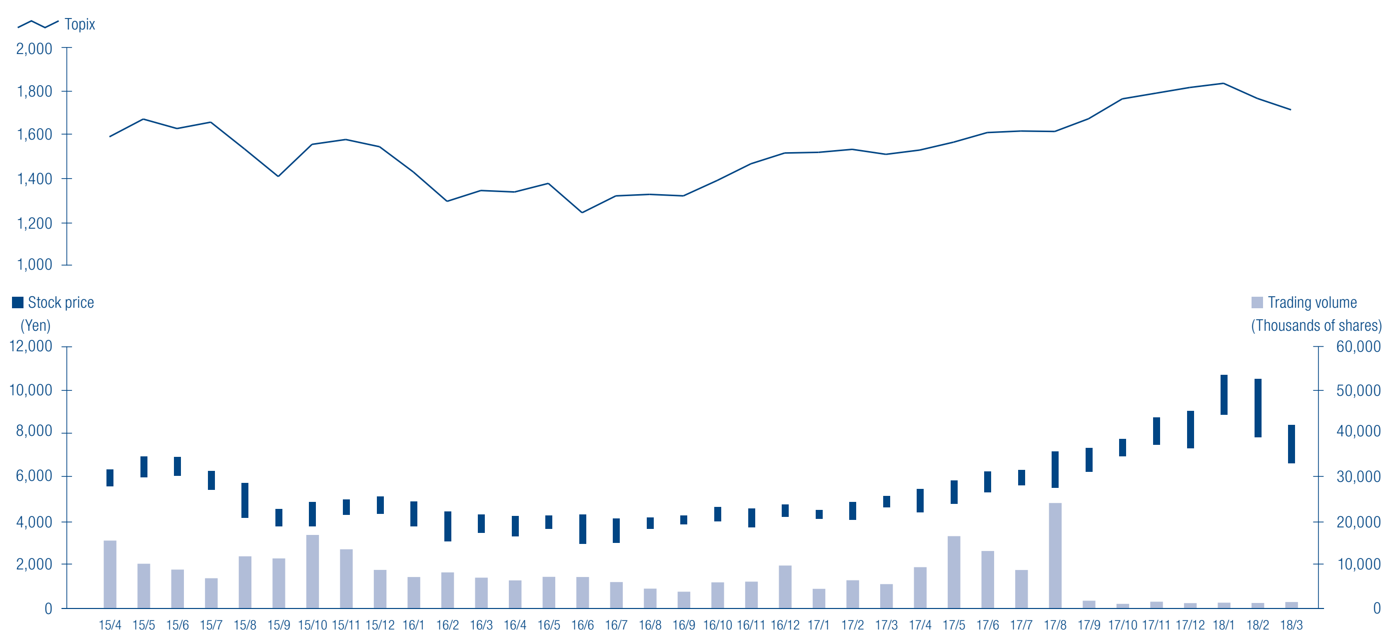
Corporate Data

Company Name	Shindengen Electric Manufacturing Co., Ltd.
Established	August 16, 1949
Capital	¥17,823,148,008
Number of Employees	4,956 (Consolidated basis) 1,136 (Nonconsolidated basis)

Stock Information

Stock Exchange Listing	June 2, 1958 (Tokyo Stock Exchange, First Section)
Security Code	6844
Total Number of Issued Shares	10,338,884
Ordinary General Meeting of Shareholders	June
Accounting Auditors	Ernst & Young ShinNihon LLC
Number of Shareholders	4,820

Stock Price And Trading Volume



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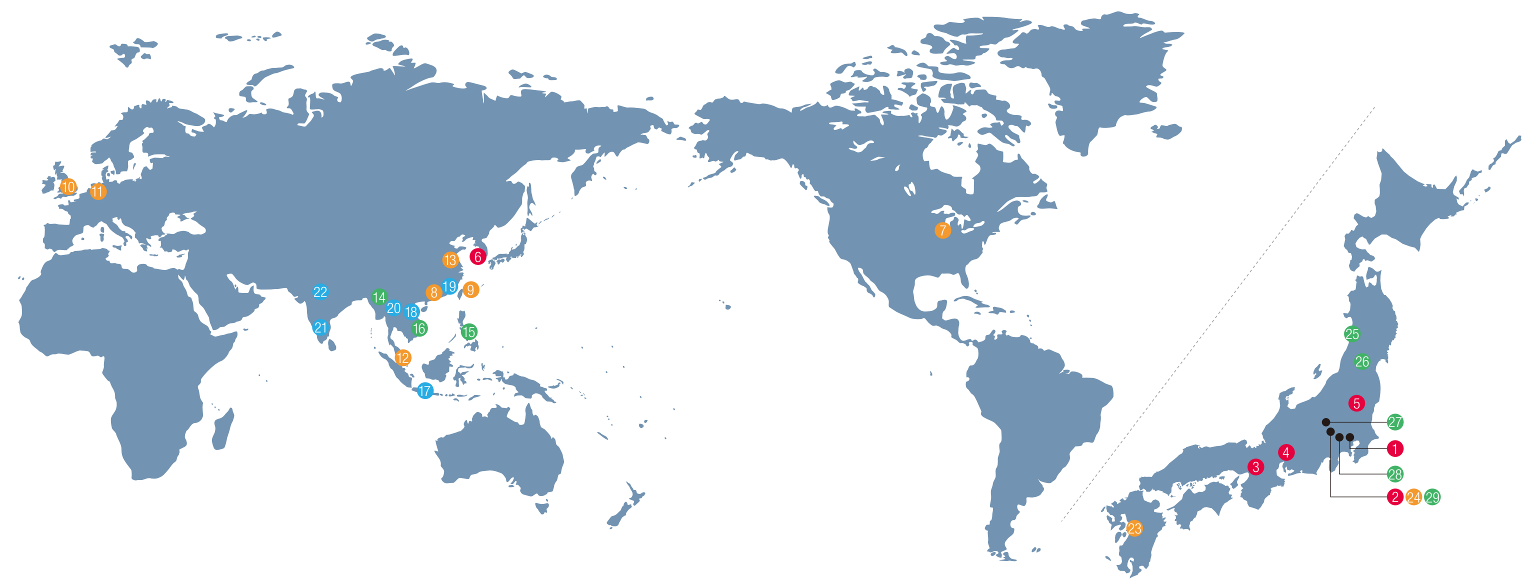

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5. Utsunomiya Office:
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Phone: +81-28-637-3615

6. Seoul Office:
B701-4. 230, Simin-daero, Dongan-gu, Anyang-si, Gyeonggi-do, Korea
Phone: +82-31-385-1431

SUBSIDIARIES & AFFILIATES

Overseas

Sales and Service

7. **Shindengen America, Inc.**
(Share ownership: 100%)
Phone: +1-847-444-1363

Shindengen (H.K.) Co., Ltd.
(Share ownership: 100%)
8. Head Office (Hong Kong)
Phone: +852-2317-1884
9. Taiwan Representative Office
Phone: +886-2-2321-3990

Shindengen UK Ltd.
(Share ownership: 100%)
10. Head Office
Phone: +44-20-3829-6980
11. German Branch
Phone: +49-211-4919680

12. **Shindengen Singapore Pte Ltd.**
(Share ownership: 100%)
Phone: +65-6445-0082

13. **Shindengen (Shanghai) Electric Co., Ltd.**
(Share ownership: 100%)
Phone: +86-21-6270-8000

Manufacturing

14. **Lumphun Shindengen Co., Ltd.**
(Share ownership: 100%)

15. **Shindengen Philippines Corp.**
(Share ownership: 100%)

16. **Shindengen Lao Co., Ltd.**
(Share ownership: 100%)

Manufacturing and Sales

17. **PT. Shindengen Indonesia**
(Share ownership: 100%)

18. **Shindengen Vietnam Co., Ltd.**
(Share ownership: 100%)

19. **Guangzhou Shindengen Electronic Co., Ltd.**
(Share ownership: 100%)

20. **Shindengen (Thailand) Co., Ltd.**
(Share ownership: 100%)

21. **Shindengen India Pvt. Ltd.**
(Share ownership: 100%)

22. **Napino Auto & Electronics Ltd.**
(Share ownership: 22.57%)

Japan

Sales and Service

23. **Shindengen Kumamoto Techno Research Co., Ltd.**
(Share ownership: 100%)
Phone: +81-96-337-5200

24. **Shindengen Enterprise Co., Ltd.**
(Share ownership: 100%)
Phone: +81-42-974-5721

Manufacturing

25. **Akita Shindengen Co., Ltd.**
(Share ownership: 100%)

26. **Higashine Shindengen Co., Ltd.**
(Share ownership: 100%)

27. **Okabe Shindengen Co., Ltd.**
(Share ownership: 100%)

28. **Shindengen Three E Co., Ltd.**
(Share ownership: 100%)

29. **Shindengen Mechatronics Co., Ltd.**
(Share ownership: 35%)