

TAIYO YUDEN CO., LTD.
and **SUBSIDIARIES**

Consolidated Financial Statements for the
Years Ended March 31, 2019 and 2018
with Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of TAIYO YUDEN CO., LTD.:

We have audited the accompanying consolidated financial statements of TAIYO YUDEN CO., LTD. and its consolidated subsidiaries, which comprise the Consolidated Balance Sheets as of March 31, 2019 and 2018, and the Consolidated Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TAIYO YUDEN CO., LTD. and its consolidated subsidiaries as of March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 30, 2019
Tokyo, Japan

1 Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	49,700	56,430
Notes and accounts receivable - trade	*2 56,933	*2 62,745
Merchandise and finished goods	19,310	21,065
Work in process	21,118	25,907
Raw materials and supplies	11,666	13,974
Other	5,875	5,972
Allowance for doubtful accounts	(278)	(238)
Total current assets	164,326	185,858
Non-current assets		
Property, plant and equipment		
Buildings and structures	81,602	94,768
Machinery, equipment and vehicles	245,007	263,270
Tools, furniture and fixtures	22,661	26,089
Land	9,422	11,022
Construction in progress	6,501	10,468
Accumulated depreciation	(254,749)	(280,102)
Total property, plant and equipment	110,446	125,517
Intangible assets		
Goodwill	-	5,837
Other	1,309	1,219
Total intangible assets	1,309	7,056
Investments and other assets		
Investment securities	*1 7,169	*1 4,760
Retirement benefit asset	-	16
Deferred tax assets	2,048	3,864
Other	2,188	2,119
Allowance for doubtful accounts	(318)	(332)
Total investments and other assets	11,087	10,428
Total non-current assets	122,843	143,003
Total assets	287,170	328,861

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,389	25,031
Short-term loans payable	20,737	23,152
Current portion of long-term loans payable	5,160	2,477
Accounts payable - other	12,792	13,405
Income taxes payable	1,684	5,085
Provision for bonuses	3,663	4,167
Provision for bonuses for directors (and other officers)	231	258
Other	7,808	8,420
Total current liabilities	77,467	81,997
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	20,039	–
Long-term loans payable	8,882	28,415
Deferred tax liabilities	5,047	4,771
Provision for retirement benefits for directors (and other officers)	131	132
Retirement benefit liability	2,865	3,742
Other	2,617	3,847
Total non-current liabilities	39,584	40,910
Total liabilities	117,052	122,907
Net assets		
Shareholders' equity		
Capital stock	23,557	33,575
Capital surplus	41,518	49,904
Retained earnings	113,984	135,217
Treasury shares	(3,302)	(4,613)
Total shareholders' equity	175,756	214,083
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,896	1,519
Deferred gains or losses on hedges	(15)	2
Foreign currency translation adjustment	(9,028)	(9,703)
Remeasurements of defined benefit plans	167	(401)
Total accumulated other comprehensive income	(5,980)	(8,583)
Share acquisition rights	342	453
Total net assets	170,118	205,953
Total liabilities and net assets	287,170	328,861

2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	244,117	274,349
Cost of sales	*1 182,165	*1 192,084
Gross profit	61,952	82,264
Selling, general and administrative expenses	*2, *3 41,730	*2, *3 47,026
Operating profit	20,221	35,237
Non-operating income		
Interest income	269	382
Dividend income	126	142
Foreign exchange gains	–	190
Subsidy income	2,058	451
Other	345	329
Total non-operating income	2,799	1,496
Non-operating expenses		
Interest expenses	238	349
Share of loss of entities accounted for using equity method	264	786
Foreign exchange losses	1,649	–
Share issuance cost	–	144
Depreciation of inactive non-current assets	206	194
Loss from suspended operation	–	655
Other	108	252
Total non-operating expenses	2,467	2,382
Ordinary profit	20,553	34,351
Extraordinary income		
Gain on sales of non-current assets	*4 21	*4 16
Gain on sales of investment securities	–	1,535
Gain on step acquisitions	–	249
Other	–	24
Total extraordinary income	21	1,825
Extraordinary losses		
Loss on sales and retirement of non-current assets	*5 358	*5 494
Impairment loss	*6 396	*6 4,614
Loss on valuation of investment securities	0	52
Business structure improvement expenses	–	*7 2,235
Head office transfer cost	95	–
Other	0	668
Total extraordinary losses	850	8,066
Profit before income taxes	19,724	28,110
Income taxes - current	4,113	5,983
Income taxes - deferred	(744)	(1,560)
Total income taxes	3,369	4,422
Profit	16,355	23,687
Profit attributable to owners of parent	16,355	23,687

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	16,355	23,687
Other comprehensive income		
Valuation difference on available-for-sale securities	656	(1,377)
Deferred gains or losses on hedges	(36)	17
Foreign currency translation adjustment	733	(674)
Remeasurements of defined benefit plans, net of tax	536	(568)
Total other comprehensive income	* 1,889	* (2,602)
Comprehensive income	18,245	21,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,245	21,084

3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	23,557	41,518	99,985	(3,309)	161,752
Changes of items during period					
Dividends of surplus			(2,356)		(2,356)
Profit attributable to owners of parent			16,355		16,355
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		7	6
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	13,998	6	14,004
Balance at end of current period	23,557	41,518	113,984	(3,302)	175,756

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,239	21	(9,762)	(368)	(7,870)	268	154,150
Changes of items during period							
Dividends of surplus							(2,356)
Profit attributable to owners of parent							16,355
Purchase of treasury shares							(0)
Disposal of treasury shares							6
Net changes of items other than shareholders' equity	656	(36)	733	536	1,889	73	1,963
Total changes of items during period	656	(36)	733	536	1,889	73	15,968
Balance at end of current period	2,896	(15)	(9,028)	167	(5,980)	342	170,118

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	23,557	41,518	113,984	(3,302)	175,756
Changes of items during period					
Conversion of convertible bond-type bonds with share acquisition rights	10,017	10,017			20,035
Dividends of surplus			(2,454)		(2,454)
Profit attributable to owners of parent			23,687		23,687
Purchase of treasury shares				(3,001)	(3,001)
Disposal of treasury shares		(0)		59	59
Change by share exchanges		(1,631)		1,631	–
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	10,017	8,386	21,233	(1,310)	38,326
Balance at end of current period	33,575	49,904	135,217	(4,613)	214,083

	Accumulated other comprehensive income					Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,896	(15)	(9,028)	167	(5,980)	342	170,118
Changes of items during period							
Conversion of convertible bond-type bonds with share acquisition rights							20,035
Dividends of surplus							(2,454)
Profit attributable to owners of parent							23,687
Purchase of treasury shares							(3,001)
Disposal of treasury shares							59
Change by share exchanges							–
Change in ownership interest of parent due to transactions with non-controlling interests							(0)
Net changes of items other than shareholders' equity	(1,377)	17	(674)	(568)	(2,602)	111	(2,491)
Total changes of items during period	(1,377)	17	(674)	(568)	(2,602)	111	35,835
Balance at end of current period	1,519	2	(9,703)	(401)	(8,583)	453	205,953

4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	19,724	28,110
Depreciation	25,589	26,547
Impairment loss	396	4,614
Business structure improvement expenses	–	2,235
Head office transfer cost	95	–
Amortization of goodwill	–	473
Increase (decrease) in allowance for doubtful accounts	(12)	(29)
Increase (decrease) in provision for bonuses	439	430
Increase (decrease) in provision for bonuses for directors (and other officers)	154	26
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5	(1)
Interest and dividend income	(395)	(524)
Interest expenses	238	349
Share of loss (profit) of entities accounted for using equity method	264	786
Share issuance cost	–	144
Loss (gain) on sales and retirement of non-current assets	336	478
Loss (gain) on sales of investment securities	–	(1,535)
Loss (gain) on step acquisitions	–	(249)
Subsidy income	(1,818)	(209)
Loss (gain) on valuation of investment securities	0	52
Decrease (increase) in notes and accounts receivable - trade	(3,775)	(1,340)
Decrease (increase) in inventories	(3,162)	(6,263)
Increase (decrease) in notes and accounts payable - trade	(1,452)	(4,062)
Other, net	1,760	682
Subtotal	38,388	50,716
Interest and dividend income received	370	514
Interest expenses paid	(240)	(299)
Business structure improvement expenses paid	–	(2,235)
Payments for head office transfer cost	(58)	–
Payments for loss related to anti-monopoly act	–	(2,681)
Income taxes (paid) refund	(4,515)	(3,047)
Net cash provided by (used in) operating activities	33,944	42,967
Cash flows from investing activities		
Purchase of non-current assets	(26,549)	(42,562)
Proceeds from sales of non-current assets	70	38
Decrease (increase) in time deposits	(1,840)	1,028
Proceeds from sales of investment securities	55	2,536
Proceeds from subsidy income	1,418	312
Purchase of shares of subsidiaries and associates	–	(258)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	*2 5,148
Other, net	(73)	173
Net cash provided by (used in) investing activities	(26,918)	(33,581)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,456	(12,673)
Proceeds from long-term loans payable	10,000	22,024
Repayments of long-term loans payable	(11,087)	(5,194)
Purchase of treasury shares	(0)	(3,001)
Cash dividends paid	(2,352)	(2,449)
Repayments of lease obligations	(62)	(117)
Other, net	0	(191)
Net cash provided by (used in) financing activities	953	(1,603)
Effect of exchange rate change on cash and cash equivalents	(236)	34
Net increase (decrease) in cash and cash equivalents	7,743	7,816
Cash and cash equivalents at beginning of period	36,094	43,837
Cash and cash equivalents at end of period	*1 43,837	*1 51,654

[Notes]

Notes - Significant accounting policies for preparation of consolidated financial statements

(1) Scope of consolidation

TAIYO YUDEN CO., LTD. (the “Company”) has 34 consolidated subsidiaries (all subsidiaries).

The Company has made ELNA CO., LTD. a subsidiary by additionally acquiring its shares. As a result, ELNA CO., LTD. and its eight subsidiaries have been included in the scope of consolidation since the fiscal year ended March 31, 2019.

Furthermore, Victor Advanced Media Co., Ltd. has been excluded from the scope of consolidation in the fiscal year under review as a result of completion of liquidation.

(2) Application of equity method

i) The Company has one equity-method associate.

ELNA CO., LTD. has been excluded from the scope of equity method from the fiscal year ended March 31, 2019 because it became a subsidiary due to the Company acquiring additional shares. One equity-method company of ELNA CO., LTD. is included in the scope of equity method.

ii) Name of associates not accounted for by the equity method

Bifröstec Inc. and two other companies

Reasons for not accounting for by the equity method

The companies not accounted for by the equity method are excluded from the scope of equity method because the exclusion has a minimal impact on profit or loss (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and others, and they have no importance as a whole.

iii) Other specific information about application of equity method

For companies accounted for by the equity method with account closing dates that are different from the Company’s closing date, the financial statements of each company’s fiscal year-end are used.

(3) The fiscal years of consolidated subsidiaries

As the reporting date for nine consolidated subsidiaries – ELNA CO., LTD., ELNA TOHOKU CO., LTD., ELNA MATSUMOTO CO., LTD., ELNA ENERGY CO., LTD., ELNA ELECTRONICS(S) PTE. LTD., ELNA AMERICA, INC., ELNA (SHANGHAI) CO., LTD., TANIN ELNA CO., LTD., and ELNA-SONIC SDN. BHD. – is December 31, but the difference between the reporting date of these subsidiaries and that of the parent company does not exceed three months, financial statements for their fiscal year-end are used as a basis for consolidation. When significant transactions occur at those subsidiaries between their fiscal year-end and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

As the reporting date for five subsidiaries – TAIYO YUDEN (GUANGDONG) CO., LTD., TAIYO YUDEN (SHANGHAI) TRADING CO., LTD., TAIYO YUDEN (TIANJIN) ELECTRONICS CO., LTD., TAIYO YUDEN (SHENZHEN) ELECTRONICS TRADING CO., LTD. and TAIYO YUDEN (CHINA) CO., LTD. –is December 31, their preliminary financial statements prepared as of the consolidated reporting date of March 31 are used as a basis for consolidation.

(4) Accounting policies

i) Accounting policy for measuring significant assets

a) Securities

Other securities (available-for-sale securities)

Securities with readily determinable fair value

Market value method based on market price as of the consolidated closing date is applied

(valuation differences are reported as components of net assets and the cost of securities sold is calculated based on the moving average method.)

Securities without readily determinable fair value

Stated at cost using the moving-average method

Investments in limited liability partnerships for investment business and similar partnerships (falling under definition of “securities” as defined by Article 2, paragraph (2) of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the

financial statements stipulated in the partnership agreements.

- b) Derivatives
Market value method is applied
 - c) Inventories
Finished goods and merchandise: Mainly stated at cost as determined by the gross average method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
Work in process: Mainly stated at cost as determined by the gross average method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
Raw materials and supplies: Mainly stated at cost as determined by the first-in-first-out method
(The book value stated in the balance sheet is written down based on the decreased profitability.)
- ii) Accounting method for depreciation of significant assets
- a) Property, plant and equipment (excluding leased assets)
The declining-balance method is mainly applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied to buildings acquired (excluding facilities attached to buildings) on and after April 1, 1998, and facilities attached to buildings and structures acquired on and after April 1, 2016 by the Company and its domestic consolidated subsidiaries. Useful lives of the assets and residual value of the assets are mainly estimated in consistent with the method accepted under the Corporate Tax Law in Japan.
The straight-line method is mainly applied for overseas consolidated subsidiaries.
 - b) Intangible assets (excluding leased assets)
The straight-line method is applied for the Company and its domestic consolidated subsidiaries. Useful lives of the assets are estimated in consistent with the method accepted under the Corporate Tax Law in Japan. However, internal use software is amortized using the straight-line method over the estimated useful life which is internally determined (mainly five years).
The straight-line method is applied for overseas consolidated subsidiaries.
 - c) Leased assets
Leased assets are depreciated over the leased term by the straight-line method with no residual value.
- iii) Accounting method for significant provisions
- a) Allowance for doubtful accounts
To prepare for losses from bad debt, the Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts at an uncollectible amount estimated by either using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as doubtful receivables.
Overseas consolidated subsidiaries calculate the amount of potential loss mainly estimated on an individual basis.
 - b) Provision for bonuses
To prepare for bonus payments to employees, provision for bonuses is provided based on the estimated amount of payments.
 - c) Provision for bonuses for directors (and other officers)
To prepare for bonus payments to directors, provision for bonuses for directors (and other officers) is provided based on the estimated amount of payments.
 - d) Provision for retirement benefits for directors (and other officers)
Some consolidated subsidiaries provide the necessary amount at the end of the current fiscal year in accordance with internal rules to prepare for the payment of directors' retirement benefits.
- iv) Accounting method for retirement benefits
- a) Method of attributing expected retirement benefit to periods
In calculating retirement benefit obligations, the estimated amount of retirement benefits is attributed to the periods up to the end of the current fiscal year on a straight-line basis for the domestic consolidated subsidiaries and on a benefit formula basis for the overseas consolidated subsidiaries.
 - b) Method of expensing actuarial gains and losses
Actuarial gains and losses are amortized by the straight-line method over a certain number of years

- (mostly 10 years) within the average number of remaining service years of the eligible employees at the time they arise, and allocated proportionately beginning in the following fiscal year.
- c) Adoption of simplified accounting method used by small companies
Some consolidated subsidiaries apply the simplified method in calculating the retirement benefit liabilities and retirement benefit costs, which assumes the retirement benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.
- v) Accounting policy for hedging
- a) Accounting policy for hedging
Deferred hedge accounting is applied.
- b) Hedging instruments and hedged items
Hedging instruments: Forward foreign exchange contract
Hedged items: Monetary receivables and payables denominated in foreign currencies and forecast transactions
- c) Hedging policy
In accordance with the internal risk management regulations, derivative transactions are not entered into for speculative purposes and unless they are backed by actual demand.
- d) Method of evaluating hedge effectiveness
The evaluation of hedging effectiveness is not performed because all forward exchange contracts in place to hedge foreign-currency transactions assume their sale in the future and, therefore, they are highly likely to be executed.
- vi) Accounting policy for goodwill
Goodwill and goodwill equivalent are amortized over the period within 20 years during which their effects remain using the straight-line method.
- vii) Scope of cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand; demand deposits; and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
- viii) Other significant matters for preparation of the consolidated financial statements
- a) Accounting policy for consumption taxes
Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.
- b) Application of consolidated taxation system
The consolidated taxation system is applied for the Company and some consolidated subsidiaries.

Notes - New accounting standards not yet applied

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

(1) Outline

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 (as IFRS 15 by IASB and Topic 606 by FASB). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard for revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point

from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application

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

(3) Effects of application of the accounting standard, etc.

The impact of the application of the “Accounting Standard for Revenue Recognition,” etc. on the consolidated financial statements is currently under evaluation.

- “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18, issued by the Accounting Standards Board of Japan on September 14, 2018)
- “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24, issued by the Accounting Standards Board of Japan on September 14, 2018)

(1) Outline

The ASBJ has revised PITF No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” and PITF No. 24 “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method.” The major revision is that if a company elects to present subsequent changes in the fair value of equity instruments of its foreign subsidiaries, etc. as other comprehensive income in its consolidated financial statements in accordance with the practical solution on “Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements,” the difference between the cost and the proceeds from sale shall be recognized as profit or loss in the corresponding fiscal year for purposes of preparing the financial statements.

The revised PITFs also prescribe that if an impairment is deemed necessary, the valuation difference shall be reclassified to a loss in the corresponding fiscal year for purposes of preparing the consolidated financial statements.

(2) Scheduled date of application

These PITFs will be applied from the beginning of the fiscal year ending March 31, 2020.

(3) Effects of application of the accounting standard, etc.

The impact on the consolidated financial statements of the application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements,” etc. remains undetermined at present.

- “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued by the Accounting Standards Board of Japan on January 16, 2019)
- “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued by the Accounting Standards Board of Japan on January 16, 2019)

(1) Outline

“Accounting Standard for Business Combinations” and other related pronouncements have been revised by ASBJ through deliberations among its members in response to the advice from the Standards Advisory Council to review the accounting treatment where part of the contingent consideration as per “Accounting Standard for Business Combinations” (ASBJ Statement No. 21) is returned to an acquirer.

Major revisions include the addition of “Consideration to be returned” to the definition of “Contingent consideration” and the addition of the accounting treatment for “Contingent consideration where consideration is returned” in “Accounting Standard for Business Combinations.”

Following the revision of “Implementation Guidance on Accounting Standard for Business Combinations

and Accounting Standard for Business Divestitures” (hereinafter “Implementation Guidance Applied for Business Combinations and Divestitures”), the descriptions in Implementation Guidance Applied for Business Combinations and Divestitures regarding the accounting treatment for shareholders of the parties to business combinations have been revised to ensure consistency with the description in “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013). In addition, now that the split-off type company split is treated as a non-qualified reorganization, relevant provisions on the treatment of tax effect accounting for the divesting company where the date of split-off is the beginning of the fiscal year of the divesting company have been deleted because the deemed business year for the split-off type company split was abolished in the fiscal 2010 tax reform.

(2) Scheduled date of application

These accounting standards will be applied to reorganizations to be implemented from the beginning of the fiscal year ending March 31, 2020.

(3) Effects of application of the accounting standard, etc.

The impact of the application of the “Accounting Standard for Business Combinations,” etc. on the consolidated financial statements remains undetermined at present.

Notes - Changes in presentation

Changes associated with application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidances

The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (hereinafter “Partial Amendments to Tax Effect Accounting Standard”)) since the beginning of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are presented under the investments and other assets section and the non-current liabilities section, respectively, and relevant notes to tax effect accounting have been amended.

As a result, in the consolidated balance sheet as of March 31, 2018, “Deferred tax assets” under “Current assets” decreased by ¥2,830 million, and “Deferred tax assets” under “Investments and other assets” increased by ¥865 million. Also, “Deferred tax liabilities” under “Current liabilities” decreased by ¥688 million and “Deferred tax liabilities” under “Non-current liabilities” decreased by ¥1,276 million.

Deferred tax assets and deferred tax liabilities of the same taxable entity are offset in the consolidated balance sheet, and as a result, the amount of total assets has decreased ¥1,965 million from the amount before the amendments.

In addition, Note 8 to the “Accounting Standard for Tax Effect Accounting” (excluding the total amount of the valuation allowance) and Note 9 to the said standard as stipulated in Paragraphs 3–5 of Partial Amendments to Tax Effect Accounting Standard have been reflected in the notes to tax effect accounting. However, matters concerning the previous fiscal year are not reflected in accordance with the transitional treatment stipulated in paragraph (7) of Partial Amendments to Tax Effect Accounting Standard.

Notes - Consolidated balance sheet

*1 Investments in associates are as follows:

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Investment securities (shares)	812	1,349

*2 Promissory notes due on the balance sheet date

Promissory notes due on the balance sheet date are accounted for as settled on the clearing date. However, since the last day of the current fiscal year was a non-business day for financial institutions, the following promissory notes due on the balance sheet date are included in the balance at the end of the fiscal year.

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Notes receivable - trade	69	61

Notes - Consolidated statement of income

*1 The amount of inventories at the fiscal year-end represents the amount after writing down of the book value due to declines in profitability of assets, and the following loss on revaluation of inventories is included in the cost of sales. (The figure in parenthesis represents the amount of reversal.)

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
	167	(583)

*2 Major items and amounts of selling, general and administrative expenses are as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Freight costs and fees	5,464	5,771
Research and development expenses	10,574	13,039
Employees' salaries and allowances	10,585	10,975
Retirement benefit expenses	620	663
Provision for bonuses	1,568	1,587
Provision for bonuses for directors (and other officers)	231	257
Depreciation	782	820
Provision of allowance for doubtful accounts	18	28

*3 Total amount of research and development expenses included in general and administrative expenses and production cost in the current period

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
	10,574	13,039

*4 Details of gain on sales of non-current assets are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Machinery, equipment and vehicles	11	14
Other	9	2
Total	21	16

*5 Details of loss on sales and retirement of non-current assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Loss on retirement of non-current assets		
Buildings and structures	137	212
Machinery, equipment and vehicles	165	141
Other	8	56
Subtotal	312	409
Loss on sale of non-current assets		
Machinery, equipment and vehicles	31	53
Land	–	24
Other	13	6
Subtotal	45	84
Total	358	494

*6 Impairment loss

The Company group (the “Group”) recorded impairment losses with respect to the following asset groups.

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Type	Application	Location	Amount
Machinery, equipment and vehicles	Idle assets	Nakanojo Plant (Nakanojo-machi, Gunma), Yawatabara Plant (Takasaki-shi, Gunma), Others	¥312 million
Other	Idle assets	Inami-cho, Wakayama, Others	¥83 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss. It is noted that the recoverable amount is measured principally at value in use, and the amount is assessed at zero because no future cash flows are expected from the assets.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Type	Application	Location	Amount
Machinery, equipment and vehicles	Idle assets	Ome-shi, Tokyo, Others	¥3,892 million
Buildings and structures	Idle assets	Ome-shi, Tokyo, Others	¥606 million
Other	Idle assets	Inami-cho, Wakayama, Others	¥115 million

The Group categorizes its business assets by segmentation for management accounting, and idle assets by individual asset. Property, plant and equipment such as head office and laboratories are categorized as common assets.

For the idle assets with no specific utilization plan and no recoverability, their book values have been written down to the memorandum value and such reduction was recorded as impairment loss. It is noted that the recoverable amount is measured principally at value in use, and the amount is assessed at zero because no future cash flows are expected from the assets.

*7 Business structure improvement expenses

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

The Group has recorded the expenses incurred from the structural reform of its overseas subsidiaries (consisting primarily of special retirement payments resulting from reorganization of overseas business sites) as business structure improvement expenses and presented as extraordinary losses.

Notes - Consolidated statement of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:		
Amount arising during the year	710	(520)
Reclassification adjustments	—	(1,483)
Before tax effects adjustments	710	(2,003)
Tax effect	(53)	626
Valuation difference on available-for-sale securities	656	(1,377)
Deferred gains or losses on hedges:		
Amount arising during the year	(17)	(194)
Reclassification adjustments	(28)	213
Before tax effects adjustments	(46)	18
Tax effect	9	(1)
Deferred gains or losses on hedges	(36)	17
Foreign currency translation adjustment:		
Amount arising during the year	733	(674)
Reclassification adjustments	—	—
Before tax effects adjustments	733	(674)
Tax effect	—	—
Foreign currency translation adjustment	733	(674)
Remeasurements of defined benefit plans:		
Amount arising during the year	586	(571)
Reclassification adjustments	45	(10)
Before tax effects adjustments	631	(582)
Tax effect	(95)	13
Remeasurements of defined benefit plans	536	(568)
Total other comprehensive income	1,889	(2,602)

Notes - Consolidated statement of changes in equity

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock	120,481	—	—	120,481
Total	120,481	—	—	120,481
Treasury shares				
Common stock (Note) 1, (Note) 2	2,650	0	6	2,645
Total	2,650	0	6	2,645

(Notes) 1. The increase of zero thousand shares of treasury shares of common stock is due to the purchase of fractional shares

2. The decrease of six thousand shares of treasury shares of common stock is due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (Shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	–	–	–	–	–	24
	Share acquisition rights under 2008 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2009 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2010 Stock Option Plan	–	–	–	–	–	9
	Share acquisition rights under 2011 Stock Option Plan	–	–	–	–	–	12
	Share acquisition rights under 2012 Stock Option Plan	–	–	–	–	–	9
	Share acquisition rights under 2013 Stock Option Plan	–	–	–	–	–	29
	Share acquisition rights under 2014 Stock Option Plan	–	–	–	–	–	36
	Share acquisition rights under 2015 Stock Option Plan	–	–	–	–	–	76
	Share acquisition rights under 2016 Stock Option Plan	–	–	–	–	–	51
	Share acquisition rights under 2017 Stock Option Plan	–	–	–	–	–	80
Total		–	–	–	–	–	342

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	1,178	10	March 31, 2017	June 30, 2017
Board of Directors meeting held on November 8, 2017	Common stock	1,178	10	September 30, 2017	December 1, 2017

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	1,178	Retained earnings	10	March 31, 2018	June 29, 2018

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Classes and total number of shares issued and classes and number of treasury shares

(Thousands shares)

	Number of shares at beginning of current period	Increase	Decrease	Number of shares at end of current period
Shares issued				
Common stock (Note) 1	120,481	9,737	–	130,218
Total	120,481	9,737	–	130,218
Treasury shares				
Common stock (Note) 2, (Note) 3	2,645	1,265	1,354	2,555
Total	2,645	1,265	1,354	2,555

(Notes) 1. The number of issued shares of common stock has increased by 9,737 thousand shares due to exercise of the share acquisition rights attached to convertible bond-type bonds with share acquisition rights.

2. The 1,265 thousand share increase in the number of treasury shares of common stock is attributable to an increase of 1,264 thousand shares due to purchase of treasury shares approved through resolution by the Board of Directors, an increase of zero thousand shares due to purchase of fractional shares, and an increase of zero thousand shares due to purchase of treasury shares to deal with a fraction less than one share resulting from the share exchange.

3. The 1,354 thousand share decrease in the number of treasury shares of common stock is attributable to a decrease of 1,306 thousand shares due to the share exchange and a decrease of 48 thousand shares due to exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be issued or transferred upon exercise of share acquisition rights	Number of shares to be issued or transferred upon exercise of share acquisition rights (shares)				Balance at end of current period (Millions of yen)
			At beginning of current period	Increase	Decrease	At end of current period	
Reporting company (parent company)	Share acquisition rights under 2007 Stock Option Plan	–	–	–	–	–	24
	Share acquisition rights under 2008 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2009 Stock Option Plan	–	–	–	–	–	5
	Share acquisition rights under 2010 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2011 Stock Option Plan	–	–	–	–	–	8
	Share acquisition rights under 2012 Stock Option Plan	–	–	–	–	–	6
	Share acquisition rights under 2013 Stock Option Plan	–	–	–	–	–	22
	Share acquisition rights under 2014 Stock Option Plan	–	–	–	–	–	29
	Share acquisition rights under 2015 Stock Option Plan	–	–	–	–	–	63
	Share acquisition rights under 2016 Stock Option Plan	–	–	–	–	–	44
	Share acquisition rights under 2017 Stock Option Plan	–	–	–	–	–	91
Share acquisition rights under 2018 Stock Option Plan	–	–	–	–	–	144	
Total	–	–	–	–	–	453	

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	1,178	10	March 31, 2018	June 29, 2018
Board of Directors meeting held on November 9, 2018	Common stock	1,276	10	September 30, 2018	December 4, 2018

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	1,404	Retained earnings	11	March 31, 2019	June 28, 2019

Notes - Consolidated statement of cash flows

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Cash and deposits	49,700	56,430
Time deposits with a deposit period of over 3 months	(5,862)	(4,776)
Cash and cash equivalents	43,837	51,654

*2 As a result of the Company acquiring additional shares of ELNA CO., LTD., which had been an equity-method associate, ELNA CO., LTD. and its eight subsidiaries are newly added to the scope of consolidation. The breakdown of assets and liabilities at the start of consolidation, and the relation between the cost and the net cash used for acquisition of the shares of ELNA CO., LTD. are as follows:

	(Millions of yen)
Current assets	17,848
Non-current assets	6,794
Goodwill	6,310
Current liabilities	(23,578)
Non-current liabilities	(1,377)
Share acquisition rights	(23)
Subtotal	5,975
Valuation under the equity method before acquisition of control	(726)
Gain on step acquisitions	(249)
Acquisition cost for additional shares	5,000
Cash and cash equivalents of newly consolidated subsidiaries	(10,148)
Purchase of shares, net of cash provided	(5,148)

*3 Description of significant non-cash transactions

(1) Exercise of share acquisition rights attached to convertible bond-type bonds with share acquisition rights

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Increase in capital stock due to exercise of share acquisition rights	–	10,017
Increase in legal capital surplus due to exercise of share acquisition rights	–	10,017
Decrease in convertible bonds with share acquisition rights due to exercise of share acquisition rights	–	20,035

(2) Decrease in treasury shares and increase in capital surplus due to share exchange

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Decrease in treasury shares due to share exchange	–	1,631
Decrease in capital surplus due to share exchange	–	1,631

Notes - Leases

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Details of leased assets

Property, plant and equipment

Production facilities (machinery, equipment and vehicles) for the Electronic Components Business

ii) Method of depreciation of leased assets

The method of depreciation of leased assets is as described in “(4) Disclosure of accounting policies (ii) Accounting policy for depreciation of significant assets,” in the section of significant accounting policies for preparation of consolidated financial statements.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating lease transactions

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within one year	204	275
Over one year	617	620
Total	821	895

Notes - Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group, which mainly produces and markets electronic components, procures short-term operating funds through bank loans, and long-term funds for capital investment, etc. through bank loans and issuance of corporate bonds in accordance with a capital investment plan. Temporary surplus funds are managed as safe and secure financial funds such as short-term deposits. The Group uses derivative transactions to hedge risks stated below, and does not intend to use them for speculative purpose.

(2) Description of financial instruments and associated risks, and risk management structure

Trade receivables are exposed to customer credit risk. Therefore, the Group manages due dates and balances for each customer, and makes efforts to early recognize concerns about collectibility and reduces its risks due to deterioration in financial conditions, etc.

Investment securities consisting mainly of shares of companies with which the Group has business relationship are managed by reviewing market values and financial conditions of issuers on a regular basis.

Payment due dates of most trade payables are within one year.

The Group uses bank loans mainly for the purpose of procuring funds necessary for capital investment.

Bank loans payable are not exposed to interest rate fluctuation risk as their interest rates are fixed.

Operating receivables and payables denominated in foreign currencies, arising from global business operations, are exposed to exchange rate fluctuation risk, but the risk is hedged by using forward foreign exchange contracts. Forward exchange contracts are used for operating receivables and payables, which are certain to arise from export and import transactions. The Group engages in derivatives transactions only with high-rated financial institutions.

The finance department executes and manages derivative transactions in accordance with the internal risk management regulations that stipulates trading authority, the limit amount and other related matters. The department also records details of transactions and check balances with counterparties. The results of transactions are reported by the head of the finance department to the chief of headquarters in charge.

The Company unifies the management of funds of the entire Group based on funding plans prepared by each group company in order to allow them to secure adequate liquidity.

(3) Supplemental information on fair value of financial instruments

The fair value of financial instruments include the value based on market prices and reasonably determined value in cases where market prices are not available. As the value not based on market quotations is calculated by incorporating variable factors, it can vary depending on assumptions adopted.

2. Fair value of financial instruments

Carrying amounts in the consolidated balance sheet, fair value, and the difference between them are as shown below. The amounts shown in the following tables do not include financial instruments whose fair values are deemed to be extremely difficult to determine (see Note 2).

As of March 31, 2018

(Millions of yen)

	Carrying amounts	Fair value	Difference
(1) Cash and deposits	49,700	49,700	–
(2) Notes and accounts receivable - trade	56,933	56,933	–
(3) Investment securities			
i) Other securities (available-for-sale securities)	6,286	6,286	–
ii) Shares of associates	792	1,620	828
Total assets	113,712	114,540	828
(4) Notes and accounts payable - trade	25,389	25,389	–
(5) Short-term loans payable	20,737	20,737	–
(6) Accounts payable - other	12,792	12,792	–
(7) Income taxes payable	1,684	1,684	–
(8) Convertible bond-type bonds with share acquisition rights	20,039	22,175	2,135
(9) Long-term loans payable (*1)	14,043	13,937	(105)
Total liabilities	94,687	96,717	2,029
(10) Derivative transactions (*2)	579	579	–

(*1) The amounts include current portion of long-term loans payable.

(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

As of March 31, 2019

(Millions of yen)

	Carrying amounts	Fair value	Difference
(1) Cash and deposits	56,430	56,430	–
(2) Notes and accounts receivable - trade	62,745	62,745	–
(3) Investment securities			
i) Other securities (available-for-sale securities)	3,379	3,379	–
ii) Shares of associates	–	–	–
Total assets	122,554	122,554	–
(4) Notes and accounts payable - trade	25,031	25,031	–
(5) Short-term loans payable	23,152	23,152	–
(6) Accounts payable - other	13,405	13,405	–
(7) Income taxes payable	5,085	5,085	–
(8) Convertible bond-type bonds with share acquisition rights	–	–	–
(9) Long-term loans payable (*1)	30,892	30,339	(553)
Total liabilities	97,567	97,013	(553)
(10) Derivative transactions (*2)	(274)	(274)	–

(*1) The amounts include current portion of long-term loans payable.

(*2) Receivables and payables arising from derivative transactions are shown on the net basis.

(Notes) 1. Measurement methods for fair values of financial instruments and matters regarding securities and derivative transactions

Assets

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

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(3) Investment securities

Equity securities are stated at price on exchange market, and bonds are stated at price that are reasonably calculated.

Liabilities

(4) Notes and accounts payable - trade, (5) Short-term loans payable, (6) Accounts payable - other, (7) Income taxes payable

Since these are settled in short term, their fair values are approximate to book values. Accordingly, they are stated at book value.

(8) Convertible bond-type bonds with share acquisition rights

The prices offered by correspondent financial institutions are regarded as fair values.

(9) Long-term loans payable

The fair values of long-term payable are measured as present values obtained by discounting total amount of principal and interest at the estimated interest rate if similar borrowings were newly made.

(10) Derivative transactions

The fair values of forward exchange contracts are stated at prices offered by correspondent financial institutions.

2. Financial instruments whose fair value is considered to be extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2018	As of March 31, 2019
Unlisted equity securities	2	23
Shares of associates	20	1,349
Equities of limited liability partnerships for investment business and of other similar partnerships	68	8

As for financial instruments shown above, there is no market price and future cash flow cannot be estimated. Accordingly, it is considered extremely difficult to determine their fair value, and therefore they are not included in "Assets (3) Investment securities."

3. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date
As of March 31, 2018

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	49,650	–
Notes and accounts receivable - trade	56,933	–
Total	106,584	–

As of March 31, 2019

(Millions of yen)

	Within one year	Over one year within five years
Cash and deposits	56,337	–
Notes and accounts receivable - trade	62,745	–
Total	119,084	–

4. Repayment schedule for short-term loans payable, convertible bond-type bonds with share acquisition rights and
long-term loans payable after the consolidated balance sheet date
As of March 31, 2018

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	20,737	–	–	–	–	–
Convertible bond-type bonds with share acquisition rights	–	–	20,000	–	–	–
Long-term loans payable	5,160	2,464	2,664	2,463	1,237	53
Total	25,897	2,464	22,664	2,463	1,237	53

As of March 31, 2019

(Millions of yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	23,152	–	–	–	–	–
Convertible bond-type bonds with share acquisition rights	–	–	–	–	–	–
Long-term loans payable	2,477	2,663	13,462	3,786	8,461	41
Total	25,629	2,663	13,462	3,786	8,461	41

Notes - Securities

1. Other securities (available-for-sale securities)

As of March 31, 2018

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	6,139	2,510	3,628
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	81	42	38
	Subtotal	6,220	2,553	3,667
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	65	103	(37)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	65	103	(37)
Total		6,286	2,656	3,629

As of March 31, 2019

(Millions of yen)

	Type	Carrying amounts	Acquisition cost	Difference
Items whose carrying amount in the consolidated balance sheet exceeds acquisition cost	(1) Shares	3,209	1,508	1,701
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	3,209	1,508	1,701
Items whose carrying amount in the consolidated balance sheet does not exceed acquisition cost	(1) Shares	169	223	(54)
	(2) Bonds			
	i) Government bonds, local government bonds, etc.	–	–	–
	ii) Corporate bonds	–	–	–
	iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	169	223	(54)
Total		3,379	1,732	1,647

2. Other securities (available-for-sale securities) sold
 Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
 Not applicable

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	2,396	1,507	–
(2) Bonds			
i) Government bonds, local government bonds, etc.	–	–	–
ii) Corporate bonds	–	–	–
iii) Other	–	–	–
(3) Other	71	28	–
	2,467	1,535	–

3. Impaired securities

The Company recorded an impairment loss on securities of ¥0 million (other securities of ¥0 million) for the fiscal year ended March 31, 2018.

The Company has recorded an impairment loss on securities of ¥52 million (other securities of ¥52 million) for the fiscal year ended March 31, 2019.

The Company records an impairment loss on all securities whose fair values as of the end of the fiscal year are less than 50% of their acquisition costs. For securities whose fair values as of the end of the fiscal year decreased by 30% to 50% from their acquisition costs, the Company records an impairment loss when it is deemed necessary by examining the recoverability of the amount.

Notes - Derivatives

1. Derivatives to which hedge accounting is not applied

Currency derivatives

As of March 31, 2018

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract				
	Sell US dollars	23,589	–	616	616
	Buy US dollars	1,613	–	(22)	(22)

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

As of March 31, 2019

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value	Loss (gain) on valuation
Transactions other than market transactions	Forward foreign exchange contract Sell US dollars	25,341	–	(295)	(295)
	Buy US dollars	2,196	–	18	18

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

2. Derivatives to which hedge accounting is applied

Currency derivatives

As of March 31, 2018

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	5,252	–	(19)
	Buy US dollars	Forecast transaction	1,584	–	4

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

As of March 31, 2019

(Millions of yen)

Accounting policy for hedging	Type of transactions	Major hedged items	Contract amount, etc.	Of the contract amount, etc., over one year	Fair value
Deferral hedge method	Forward foreign exchange contract Sell US dollars	Forecast transaction	8,260	–	6
	Buy US dollars	Forecast transaction	2,213	–	(3)

Note: Calculation method for fair values

Fair values are calculated based on prices, etc. provided by correspondent financial institutions.

Notes - Retirement benefits

1. Outline of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have mainly adopted defined contribution pension plans and prepaid retirement plans.

Certain overseas consolidated subsidiaries have mainly adopted defined benefit plans (lump-sum retirement benefit plans).

As overseas consolidated subsidiaries apply International Financial Reporting Standards (IFRS), they account for retirement benefits in accordance with IAS 19 “Employee Benefits” (as amended on June 16, 2011).

2. Defined benefit plan

(1) Reconciliation between the opening and closing balances of retirement benefit obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Opening balance of retirement benefit obligations	4,669	4,444
Service cost	610	562
Interest cost	121	146
Actuarial gains and losses incurred	(620)	535
Retirement benefits paid	(232)	(1,038)
Changes resulting from change in the scope of consolidation	-	519
Other	(104)	31
Closing balance of retirement benefit obligations	4,444	5,202

(2) Reconciliation between the opening and closing balances of plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Opening balance of plan assets	1,520	1,578
Interest income	49	77
Actuarial gains and losses incurred	(24)	(35)
Amount of employer contribution	175	406
Retirement benefits paid	(79)	(505)
Other	(63)	(44)
Closing balance of plan assets	1,578	1,476

(3) Reconciliation between the closing balances of retirement benefit obligations and plan assets, and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Retirement benefit obligations from funded plans	1,822	1,873
Plan assets	(1,578)	(1,476)
	243	397
Retirement benefit obligations from non-funded plans	2,622	3,328
Net amount of liability and asset recorded in the consolidated balance sheet	2,865	3,725
Net defined benefit liability	2,865	3,742
Net defined benefit asset	-	(16)
Net amount of liability and asset recorded in the consolidated balance sheet	2,865	3,725

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Service cost	610	562
Net interest	72	69
Amortization of actuarial gains and losses	45	(10)
Amortization of past service cost	–	(0)
Retirement benefit expenses for defined benefit plan	727	621

Notes: 1. In accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (ASBJ PITF No. 18, February 19, 2010), the total amounts of actuarial differences are systematically expensed each year over a certain number of years within the employees’ average remaining years of service.

2. Other than the above retirement benefit expenses associated with the defined benefit pension plan, during the current fiscal year, the Company has recorded ¥1,755 million of expenses incurred for voluntary retirement of employees for overseas subsidiaries as “Business structure improvement expenses” under “Extraordinary losses.”

(5) Remeasurements of defined benefit plans, net of tax (Consolidated statement of comprehensive income)

The breakdown of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Past service cost	–	(1)
Actuarial gains and losses	631	(581)
Total	631	(582)

(6) Remeasurements of defined benefit plans (Consolidated balance sheet)

The breakdown of remeasurements of defined benefit plans (before deduction of tax effects) is as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Unrecognized past service cost	–	(1)
Unrecognized actuarial gains and losses	252	(328)
Total	252	(329)

(7) Plan assets

i) Major components of plan assets

The ratio of major categories to total plan assets is as follows:

(%)

	As of March 31, 2018	As of March 31, 2019
Bonds	63	62
Shares	17	19
Cash and deposits	16	13
Other	4	6
Total	100	100

Note: The retirement benefit trust, which was set up for the lump-sum retirement benefit plan, accounts for 76% and 75% of total plan assets during the fiscal year ended March 31, 2018 and 2019, respectively.

ii) Long-term expected rate of return

The long-term expected rate of return is not specified as IAS 19 is applied.

(8) Basis for actuarial calculations

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Discount rate	2.20 - 7.27	1.00 - 5.88
Forecasted rate of salary increase	2.41 - 5.00	2.30 - 5.00

(%)

3. Defined contribution plan

The required contribution amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥1,283 million in the previous fiscal year and ¥1,353 million in the current fiscal year.

Notes - Stock options, etc.

1. Expenses and account titles for stock options

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Selling, general and administrative expenses	80	170

2. Amounts recorded as gains due to vested stock options unexercised

(Millions of yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Extraordinary income	-	23

3. Details, size and changes in the number of stock options

(1) Details of stock options

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 32,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From July 1, 2006 to March 31, 2007
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 28, 2007
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 13, 2007
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2007 to March 31, 2008
Exercise period	From July 14, 2007 to July 13, 2027

Company name	Reporting company
Resolution date	June 27, 2008
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 46,000 shares
Grant date	July 14, 2008
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2008 to March 31, 2009
Exercise period	From July 15, 2008 to July 14, 2028

Company name	Reporting company
Resolution date	May 25, 2009
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 37,000 shares
Grant date	June 9, 2009
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2009 to March 31, 2010
Exercise period	From June 10, 2009 to June 9, 2029

Company name	Reporting company
Resolution date	June 29, 2010
Category and number of people to whom stock options are granted	7 Directors of the Company
Class and number of shares granted	Common stock: 39,000 shares
Grant date	July 21, 2010
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2010 to March 31, 2011
Exercise period	From July 22, 2010 to July 21, 2030

Company name	Reporting company
Resolution date	June 29, 2011
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 44,000 shares
Grant date	July 14, 2011
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2011 to March 31, 2012
Exercise period	From July 14, 2011 to July 13, 2031

Company name	Reporting company
Resolution date	April 25, 2012
Category and number of people to whom stock options are granted	8 Directors of the Company
Class and number of shares granted	Common stock: 38,000 shares
Grant date	May 11, 2012
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2012 to March 31, 2013
Exercise period	From May 11, 2012 to May 10, 2032

Company name	Reporting company
Resolution date	May 24, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 10,000 shares
Grant date	June 10, 2013
Vesting conditions	No vesting conditions attached
Target service period	From April 1, 2013 to June 27, 2013
Exercise period	From June 10, 2013 to June 9, 2033

Company name	Reporting company
Resolution date	June 27, 2013
Category and number of people to whom stock options are granted	6 Directors of the Company
Class and number of shares granted	Common stock: 31,000 shares
Grant date	July 12, 2013
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2013 to June 27, 2014
Exercise period	From July 12, 2013 to July 11, 2033

Company name	Reporting company
Resolution date	June 27, 2014
Category and number of people to whom stock options are granted	6 Directors of the Company 11 Operating Officers of the Company
Class and number of shares granted	Common stock: 55,000 shares
Grant date	July 14, 2014
Vesting conditions	No vesting conditions attached
Target service period	From June 27, 2014 to June 26, 2015
Exercise period	From July 14, 2014 to July 13, 2034

Company name	Reporting company
Resolution date	June 26, 2015
Category and number of people to whom stock options are granted	6 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 62,000 shares
Grant date	July 13, 2015
Vesting conditions	No vesting conditions attached
Target service period	From June 26, 2015 to June 29, 2016
Exercise period	From July 13, 2015 to July 12, 2035

Company name	Reporting company
Resolution date	November 5, 2015
Category and number of people to whom stock options are granted	1 Director of the Company 1 Operating Officer of the Company
Class and number of shares granted	Common stock: 2,000 shares
Grant date	November 20, 2015
Vesting conditions	No vesting conditions attached
Target service period	From November 1, 2015 to June 29, 2016
Exercise period	From November 20, 2015 to November 19, 2035

Company name	Reporting company
Resolution date	June 29, 2016
Category and number of people to whom stock options are granted	5 Directors of the Company 13 Operating Officers of the Company
Class and number of shares granted	Common stock: 64,000 shares
Grant date	July 15, 2016
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2016 to June 29, 2017
Exercise period	From July 15, 2016 to July 14, 2036

Company name	Reporting company
Resolution date	June 29, 2017
Category and number of people to whom stock options are granted	5 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 61,000 shares
Grant date	July 18, 2017
Vesting conditions	No vesting conditions attached
Target service period	From June 29, 2017 to June 28, 2018
Exercise period	From July 18, 2017 to July 17, 2037

Company name	Reporting company
Resolution date	June 28, 2018
Category and number of people to whom stock options are granted	4 Directors of the Company 12 Operating Officers of the Company
Class and number of shares granted	Common stock: 57,000 shares
Grant date	July 18, 2018
Vesting conditions	No vesting conditions attached
Target service period	From June 28, 2018 to June 27, 2019
Exercise period	From July 18, 2018 to July 17, 2038

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on April 11, 2012
Category and number of people to whom stock options are granted	4 Directors of the said company
Class and number of shares granted (Note) 1	Common stock: 37,000 shares
Grant date	April 26, 2012
Vesting conditions	(Note) 2
Target service period	There is no provision for the target service period.
Exercise period	From April 27, 2014 to April 26, 2022

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on February 27, 2013
Category and number of people to whom stock options are granted	3 Directors of the said company
Class and number of shares granted (Note) 1	Common stock: 13,000 shares
Grant date	March 15, 2013
Vesting conditions	(Note) 2
Target service period	There is no provision for the target service period.
Exercise period	From March 16, 2015 to February 26, 2023

(Notes) 1. As ELNA CO., LTD., a consolidated subsidiary of the Company, carried out a 1-for-10 share consolidation as of October 1, 2018, these numbers reflect the numbers of shares after the share consolidation.

2. In case persons to whom stock options are granted are dead on and after the following day of the closing date of the 77th Ordinary General Meeting of Shareholders of the said company, the rights will be transferred to their heirs. Successors may exercise share acquisition rights only if they satisfy the conditions specified separately.
- The share acquisition rights may not be transferred to third parties, offered for pledge or disposed of in any other way.
- Any other conditions for the exercise of share acquisition rights shall be prescribed by the “Share Acquisition Rights Allotment Agreement” to be entered into between the said company and the person who has been granted share acquisition rights.

(2) Size and changes in the number of stock options

The following describes the number of stock options that existed during the current fiscal year (fiscal year ended March 31, 2019). The number of stock options is translated into the number of shares.

i) Number of stock options

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	3,000	6,000	6,000	6,000
Vested	–	–	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	–
Exercisable	3,000	6,000	6,000	6,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	9,000	13,000	13,000	3,000
Vested	–	–	–	–
Exercised	3,000	4,000	4,000	1,000
Lapsed	–	–	–	–
Exercisable	6,000	9,000	9,000	2,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	–	–
Lapsed	–	–	–	–
Vested	–	–	–	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	17,000	35,000	47,000	2,000
Vested	–	–	–	–
Exercised	4,000	6,000	7,000	1,000
Lapsed	–	–	–	–
Exercisable	13,000	29,000	40,000	1,000

(Shares)

Company name	Reporting company	Reporting company	Reporting company	ELNA CO., LTD.
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on April 11, 2012
Stock options before vesting				
At the end of previous fiscal year	–	–	–	–
Granted	–	–	57,000	–
Lapsed	–	–	–	–
Vested	–	–	57,000	–
Unvested balance	–	–	–	–
Stock options after vesting				
At the end of previous fiscal year	62,000	61,000	–	34,000
Vested	–	–	57,000	–
Exercised	9,000	9,000	–	–
Lapsed	–	–	–	34,000
Exercisable	53,000	52,000	57,000	–

(Shares)

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on February 27, 2013
Stock options before vesting	
At the end of previous fiscal year	–
Granted	–
Lapsed	–
Vested	–
Unvested balance	–
Stock options after vesting	
At the end of previous fiscal year	13,000
Vested	–
Exercised	–
Lapsed	13,000
Exercisable	–

(Note) As ELNA CO., LTD., a consolidated subsidiary of the Company, carried out a 1-for-10 share consolidation as of October 1, 2018, these numbers reflect the numbers of shares after the share consolidation.

ii) Unit price information

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 28, 2007	June 28, 2007	June 27, 2008	May 25, 2009
Exercise price	1	1	1	1
Average share price at exercise	–	–	–	–
Fair value unit price on grant date	2,761	2,761	966	947

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 29, 2010	June 29, 2011	April 25, 2012	May 24, 2013
Exercise price	1	1	1	1
Average share price at exercise	3,402	3,402	3,402	3,402
Fair value unit price on grant date	1,013	948	739	1,625

(Yen)

Company name	Reporting company	Reporting company	Reporting company	Reporting company
Resolution date	June 27, 2013	June 27, 2014	June 26, 2015	November 5, 2015
Exercise price	1	1	1	1
Average share price at exercise	3,402	3,191	3,221	2,770
Fair value unit price on grant date	1,476	1,032	1,543	1,914

(Yen)

Company name	Reporting company	Reporting company	Reporting company	ELNA CO., LTD.
Resolution date	June 29, 2016	June 29, 2017	June 28, 2018	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on April 11, 2012
Exercise price	1	1	1	1,290
Average share price at exercise	3,121	3,121	–	–
Fair value unit price on grant date	834	1,762	3,369	510

(Yen)

Company name	ELNA CO., LTD.
Resolution date	Resolved at the General Meeting of Shareholders held on March 29, 2012 and at the Board of Directors meeting held on February 27, 2013
Exercise price	1,180
Average share price at exercise	–
Fair value unit price on grant date	440

(Note) As ELNA CO., LTD., a consolidated subsidiary of the Company, carried out a 1-for-10 share consolidation as of October 1, 2018, these prices reflect the numbers of shares after the share consolidation.

4. Method of estimating fair value unit price of stock options

The fair value unit price of the stock options determined by the resolution on June 28, 2018 and granted during the fiscal year ended March 31, 2019, was estimated based on the following:

- (1) Valuation techniques used Black-Scholes Model
- (2) Major basic numerical values and estimation method

Resolution date	June 28, 2018
Volatility of share price (Note) 1	40.5%
Estimated remaining outstanding period (Note) 2	4.3 years
Estimated dividend (Note) 3	¥20/share
Risk-free interest rate (Note) 4	(0.12)%

(Notes) 1. The volatility of share price is estimated based on weekly historical share prices from March 24, 2014 to July 9, 2018.

2. The estimated remaining outstanding period refers to the average period of service as Director less the already served period of service as Director. The stock options are assumed to be exercised immediately after the Director's retirement as Director.
3. The estimated dividend is based on the actual per share dividend distributed in the previous year for the year ended March 31, 2018.
4. The risk-free interest rate represents the interest rate on Japanese government bonds with the remaining period corresponding to the estimated remaining outstanding period.

5. Method of estimating number of stock options vested

The number of stock options vested is equal to the number of stock options granted since the options were vested on the grant date.

Notes - Tax effect accounting

1. Breakdown of major components of deferred tax assets and liabilities

	As of March 31, 2018	(Millions of yen) As of March 31, 2019
Deferred tax assets		
Inventories	1,362	2,309
Accrued expenses	270	365
Accrued enterprise tax	140	375
Provision for bonuses	1,087	1,240
Investment securities, etc.	732	577
Allowance for doubtful accounts	141	102
Accounting depreciation in excess of tax depreciation	1,239	2,948
Lump-sum depreciable assets	167	324
Retirement benefit liability	756	897
Prepaid retirement benefit	1,682	1,566
Loss carried forward (Note) 2	11,399	8,766
Other	1,065	2,437
Deferred tax assets subtotal	20,045	21,911
Valuation allowance for tax losses carried forward (Note) 2	-	(7,133)
Valuation allowance for total deductible temporary differences, etc.	-	(8,911)
Valuation allowance subtotal (Note) 1	(15,694)	(16,045)
Offsetting	(2,303)	(2,001)
Deferred tax assets total	2,048	3,864
Deferred tax liabilities		
Inventories	659	466
Undistributed profits of overseas subsidiaries	3,779	4,072
Reserve for advanced depreciation of non-current assets	728	727
Valuation difference on available-for-sale securities	755	135
Other	1,427	1,371
Offsetting	(2,303)	(2,001)
Deferred tax liabilities total	5,047	4,771
Net deferred tax assets (liabilities)	(2,998)	(907)

(Notes) 1. The change in valuation allowances is attributable mainly to an increase in valuation allowances resulting from the inclusion of ELNA CO., LTD. and its eight subsidiaries in the scope of consolidation, an increase in valuation allowance due to recognition of impairment losses, and a decrease in valuation allowance due to reversal of loss carried forward.

2. Amounts of tax losses carried forward and associated deferred tax assets by expiration period

As of March 31, 2019

	(Millions of yen)						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax losses carried forward (*1)	1,090	1,950	1,912	198	155	3,459	8,766
Valuation allowance	(1,078)	(1,041)	(1,239)	(198)	(155)	(3,419)	(7,133)
Deferred tax assets	11	909	673	-	-	39	(*2) 1,633

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

(*2) Deferred tax assets associated with tax losses carried forward are assessed to be recoverable based on the estimated amount of taxable income in the future.

2. Breakdown of major items of differences between the statutory effective tax rate and the effective income tax rate after applying tax effect accounting

	As of March 31, 2018	As of March 31, 2019
Statutory effective tax rate	30.7	30.5
Adjustments		
Tax rate differences of the overseas subsidiaries	(5.8)	(4.2)
Undistributed profits of the overseas subsidiaries	7.4	0.9
Valuation allowance	(21.4)	(8.1)
Tax credit for research and development expenses	(1.4)	(3.5)
Foreign tax	2.1	1.0
Unrealized income on inventories	1.8	(1.5)
Expenses not deductible permanently such as entertainment expenses	1.4	0.5
Other	2.3	0.1
Effective income tax rate after applying tax effect accounting	17.1	15.7

Changes in presentation

“Tax credit for research and development expenses” included in “Other” in the fiscal year ended March 31, 2018 is presented separately from the fiscal year ended March 31, 2019 due to an increase in materiality. The above table for the previous fiscal year has been reclassified to reflect this change in presentation.

Notes - Business combinations

Business combination through acquisition

At the Board of Directors meeting held on February 26, 2018, the Company resolved to conclude an agreement to enter into a capital and business alliance with ELNA CO., LTD. (“ELNA”), an equity-method company of the Company, and to make ELNA a subsidiary of the Company through the underwriting of a capital increase by way of third-party allotment by ELNA. The Company completed payment for the shares on April 3, 2018.

1. Outline of business combination

(1) Name of the acquired company and its business activities

Name of the acquired company: ELNA CO., LTD.

Business activities: Production and sale of electronic components (capacitors)

(2) Major reason for the business combination

The Company is engaged in businesses primarily centered on multilayer ceramic capacitors, inductors, FBAR/SAW devices for mobile communications and functional modules. Most of these products are primarily used in various IT and electronic devices, such as smartphones and PCs. In particular, in recent years we have focused our business expansion efforts on the further adoption of our products in the automotive, industrial, healthcare equipment, and environmental energy markets, all of which are expected to see further market expansion and growth going forward. ELNA’s business operations have focused on capacitors for some 80 years since its founding. In particular, ELNA has concentrated on developing products that can demonstrate their high quality and high performance even in environments that require vibration resistance, humidity resistance, pressure resistance, and high and low temperature resistance. ELNA has been promoting product development that can fulfill the needs of its many customers in the automotive and industrial equipment markets.

Given this, in accelerating the global expansion of its business in the automotive, industrial equipment, and environmental energy markets, the Company concluded a capital and business alliance agreement with ELNA in November 2014, with which it has complementary strengths in products and sales channels. Under this agreement, the Company acquired 15,000,000 Class A preferred shares in ELNA from Japan Industrial Partners II Investment Limited Partnership and Japan Industrial Partners II Parallel Investment Limited Partnership through a share transfer (as of December 16, 2015, the Company exercised its right to request conversion to ordinary shares, thus all of the said Class A preferred shares were converted into 15,000,000 ordinary shares, and the Company has continued to hold the said ordinary shares). In addition, to enhance market competitiveness, and to expand their businesses, the two companies have worked to cooperate in

terms of producing, jointly procuring materials, sharing technological and production expertise, and expanding sales through mutual cooperation, for electric double layered capacitors and lithium ion capacitors for automotive, industrial equipment, and environmental energy markets where growth is expected going forward.

The Company concluded the capital and business alliance agreement with ELNA, underwrote the third-party allotment and made ELNA into a subsidiary in order to strengthen the collaboration between the two companies even more going forward and to further expand profitability and enhance the associated corporate value by promoting operations based on a medium-to-long term and company-wide common strategy.

(3) Date of the business combination

April 3, 2018

(4) Legal form of the business combination

Acquisition of shares through the underwriting of a capital increase by way of third-party allotment

(5) Name of company after business combination

Unchanged

(6) Voting right ratio acquired

Percentage of voting rights owned immediately before the business combination 22.32%

Voting right ratio acquired on the effective date of the business combination 41.46%

Voting right ratio after acquisition 63.78%

(7) Major basis for reaching a decision on business combination

The Company acquired 63.78% of voting rights of ELNA through acquisition of shares for cash consideration.

2. Performance period of acquired company included in the consolidated financial statement

Since the date of business combination falls on April 3, 2018 and the difference between the closing date of the acquired company and the consolidated closing date does not exceed three months, the consolidated financial statements reflect business performance of the acquired company from April 3, 2018 to December 31, 2018.

3. Breakdown of each type of consideration and acquisition cost of the acquired company

Fair value of the shares owned immediately before the business combination	¥975 million
<u>Fair value of shares additionally acquired on the date of the business combination</u>	<u>¥5,000 million</u>
Acquisition cost	¥5,975 million

4. Details and amounts of major acquisition-related costs

Advisory fee, etc. ¥54 million

5. Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition

Gain on step acquisitions ¥249 million

6. Amount of goodwill recognized, reason for recognition of goodwill, and method and period for amortization of goodwill

(1) Amount of goodwill recognized

¥6,310 million

(2) Reason for recognition of goodwill

As the acquisition cost exceeded the proportionate share of the fair value of net assets at the time of business combination, the difference is recognized as goodwill.

(3) Method and period for amortization of goodwill

Amortized in equal amounts over 10 years

7. Amount and breakdown of assets acquired and liabilities assumed as of the date of business combination

(Millions of yen)

Current assets	17,848
Non-current assets	6,794
<u>Total assets</u>	<u>24,643</u>
Current liabilities	23,578
Non-current liabilities	1,377
<u>Total liabilities</u>	<u>24,955</u>

8. Estimated amount of the impact on the consolidated statement of income for the current fiscal year assuming that the business combination had been completed on the beginning of the current fiscal year, and its calculation method

Information is omitted because the amount of this impact is immaterial.

Transactions under common control, etc.

The Company resolved at the Board of Directors meeting held on September 28, 2018 to conduct a share exchange to make the Company the wholly-owning parent company and ELNA a wholly-owned subsidiary (the “share exchange”), and it completed the share exchange as of January 1, 2019.

The common stock of ELNA was delisted from the second section of Tokyo Stock Exchange, Inc. as of December 26, 2018.

1. Outline of transactions

(1) Name of the company involved in the business combination and its business activities

Name of the company involved in the business combination: ELNA CO., LTD.

Business activities: Production and sale of electronic components (capacitors)

(2) Date of the business combination

January 1, 2019

(3) Legal form of the business combination

Share exchange to make the Company a wholly-owning parent company and ELNA a wholly-owned subsidiary

(4) Name of the company after the business combination

Unchanged

(5) Purpose of the share exchange

- Accelerate rebuilding and revitalization of ELNA through further improvement of its management efficiency and drastic business restructuring
- Develop joint sales strategies and flexibly execute them with ELNA, which is highly complementary with the Company in terms of products and sales channels
- Streamline operations by consolidating redundant businesses, collaborate in production and procurement of materials, and share technological and production know-hows

2. Outline of accounting procedures applied

The transaction was accounted for as a transaction under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013).

3. Calculation of the acquisition cost

(1) Breakdown of each type of consideration and acquisition cost

<u>Consideration for acquisition (common stock of the Company)</u>	<u>¥2,137 million</u>
Acquisition cost	¥2,137 million

(2) Share exchange ratio by share class

	The Company (wholly owning parent company)	ELNA (wholly owned subsidiary)
Share exchange ratio of the share exchange	1	0.250

The Company assigned 0.250 shares of its common stock for each share of common stock of ELNA (where 0.250 is hereinafter referred to as the “exchange ratio of shares.”). The shares of common stock of ELNA held by the Company, however, are not subject to the assignment through the share exchange.

(3) Calculation method for the share exchange ratio

To ensure fairness and appropriateness of the exchange ratio of shares, the Company selected SMBC Nikko Securities Inc. and ELNA selected AGS Consulting Co., Ltd. as their respective third-party valuation institutions to calculate the exchange ratio of shares.

The Company and ELNA decided on the exchange ratio of shares through a series of negotiations and consultations by comprehensively taking into account some factors including their respective financial position, assets status and future outlook. During the course of careful consultations and considerations, the Company and ELNA took into account the report by a third-party institution on the exchange ratio of shares and advice from legal advisors, and ELNA also took into account a written report received from a third-party committee consisted only of the members who have no interest either in the Company, the controlling shareholder, or ELNA, to assess whether the share exchange is not disadvantageous to minority shareholders of ELNA.

(4) Number of shares delivered

Common stock of the Company 1,306,325 shares

4. Change in ownership interest of the Company due to transactions with non-controlling interests

(1) Major factor of changes in capital surplus

Acquisition of additional shares of a subsidiary

(2) Amount of capital surplus decreased by transactions with non-controlling shareholders

¥1,631 million

Notes - Asset retirement obligations

The total amount of asset retirement obligations is not disclosed as it is immaterial.

Notes - Real estate for lease, etc.

The total amount of real estate for lease, etc. is not disclosed as it is immaterial.

Notes - Segment information, etc.

[Segment information]

The segment information is not disclosed as the Group operates in a single segment of the electronic components business.

[Notes - Related information]

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Information for each product or service (Millions of yen)

	Capacitors	Ferrite and applied products	Integrated modules & devices	Others	Total
Net sales	142,858	40,977	56,838	3,443	244,117

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
23,134	100,280	36,593	84,107	244,117

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
77,649	10,446	11,597	10,753	110,446

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Information for each product or service (Millions of yen)

	Capacitors	Ferrite and applied products	Integrated modules & devices	Others	Total
Net sales	170,633	40,595	47,930	15,189	274,349

2. Information for each region

(1) Net sales (Millions of yen)

Japan	China	Hong Kong	Other countries or regions	Total
29,343	96,256	44,240	104,508	274,349

(Note) Net sales are segmented by country or region based on customer location.

(2) Property, plant and equipment (Millions of yen)

Japan	China	Malaysia	Other countries or regions	Total
84,970	10,636	16,085	13,825	125,517

3. Information for each of main customers

The information is not disclosed because none of the external customers singularly account for 10% or more of net sales presented in the consolidated statement of income.

[Disclosure of impairment losses on non-current assets for each reportable segment]

Information on impairment losses is not disclosed as the Group has a single segment.

[Amortization and unamortized balance of goodwill for each reportable segment]

Information on amortization and unamortized balance of goodwill is not disclosed as the Group has a single segment.

[Information about gains on bargain purchase for each reportable segment]

Not applicable

[Notes - Related party transactions]

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Type	Name	Location	Capital stock or investments in capital (Millions of yen)	Business activities or occupation	Ownership (owned) ratio of voting rights, etc.	Relationship of related party	Transactions	Transaction amounts (Millions of yen)	Account item	Closing balance
Associate	ELNA CO., LTD.	Kohoku-ku, Yokohama-shi, Kanagawa	4,011	Development and Sales of Electronic Components	Ownership Direct 22.3%	Business partnership	Underwriting of capital increase (Note)	5,000	-	-

(Note) The Company has underwritten ELNA CO., LTD.'s capital increase carried out by way of third-party allotment for 65 yen

per share.

Notes - Per share information

(Yen)

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Net assets per share	1,440.79	1,609.72
Basic earnings per share	138.80	189.93
Diluted earnings per share	127.88	185.87

(Notes) 1. The basis for calculation of net assets per share is as follows:

	As of March 31, 2018	As of March 31, 2019
Total net assets (Millions of yen)	170,118	205,953
Amounts deducted from total net assets (Millions of yen)	342	453
[Of the above, share acquisition rights (Millions of yen)]	[342]	[453]
[Of the above, non-controlling interests (Millions of yen)]	[-]	[-]
Net assets related to common stock (Millions of yen)	169,776	205,500
Number of common stock used to calculate net assets per share (Thousand shares)	117,836	127,662

2. The basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	16,355	23,687
Amounts not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common stock (Millions of yen)	16,355	23,687
Average number of outstanding common stock during period (Thousand shares)	117,834	124,718
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Millions of yen)	(9)	(2)
[Of the above, interest on bonds (net of tax) (Millions of yen)]	[(9)]	[(2)]
Increase in the number of common stock (Thousand shares)	9,983	2,711
[Of the above, convertible bond-type bonds with share acquisition rights (Thousand shares)]	[9,715]	[2,434]
[Of the above, share acquisition rights (Thousand shares)]	[267]	[277]
Outline of potential shares not included in the calculation of diluted earnings per share because of having no dilutive effect	-	-

Notes - Significant events after reporting period

Purchase of treasury shares

In the Board of Directors meeting held on May 13, 2019, the Board of Directors resolved and carried out the purchase of the treasury shares prescribed in the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the said Act.

1. Reasons for purchase of treasury shares

To expand shareholders return and increase capital efficiency as well as ensuring flexible capital policy in

response to future changes in the management environment.

2. Details of matters relating to purchase

- | | |
|--|---|
| (1) Class of shares to be purchased | Common stock |
| (2) Total number of shares to be purchased | 2,500,000 shares (upper limit)
(Ratio to the total number of shares issued excluding treasury shares 2.0%) |
| (3) Total price of shares purchased | ¥4,000,000,000 (upper limit) |
| (4) Period of purchase | From May 27, 2019 to March 31, 2020 |
| (5) Method of purchase | Open-market purchase on the Tokyo Stock Exchange |

3. Results of purchase

- | | |
|--------------------------------------|---|
| (1) Class of shares purchased | Common stock |
| (2) Total number of shares purchased | 2,170,500 shares |
| (3) Total price of shares purchased | ¥3,999,991,100 |
| (4) Period of purchase: | From May 27, 2019 to June 14, 2019 (on a trade basis) |
| (5) Method of purchase | Open-market purchase on the Tokyo Stock Exchange |

5) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Company name	Stock name	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Collateral	Redemption date
The Company	Euro Yen Zero Coupon Convertible Bonds due 2021 (Note) 1	January 27, 2014	20,039	–	–	–	January 27, 2021
Total	–	–	20,039	–	–	–	–

(Notes) 1. Description of the corporate bonds with share acquisition rights is provided below.

Stock name	Euro Yen Zero Coupon Convertible Bonds due 2021
Shares to be issued	Common stock
Issuance price of share acquisition rights (Yen)	Without contribution
Issuance price of shares (Yen)	2,054.0
Total issuance price (Millions of yen)	20,100
Total issuance price of shares issued upon exercise of share acquisition rights (Millions of yen)	20,035
Ratio of share acquisition rights granted (%)	100.0
Exercise period for share acquisition rights	From February 10, 2014 to January 13, 2021

2. No redemption is scheduled within five years from the consolidated closing date.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at the beginning of period (Millions of yen)	Balance at the end of current period (Millions of yen)	Average interest rate (%)	Repayment term
Short-term loans payable	20,737	23,152	0.73	–
Current portion of long-term loans payable	5,160	2,477	0.55	–
Current portion of lease obligations	58	81	4.48	–
Long-term loans payable (excluding current portion)	8,882	28,415	0.39	From April 2020 to September 2037
Lease obligations (excluding current portion)	168	354	4.48	From April 2020 to October 2028
Other interest-bearing liabilities				
“Other” in current liabilities	–	61	1.50	–
“Other” in non-current liabilities	–	5	1.50	January 2020
Total	35,008	54,548	–	–

- (Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance of loans payable at the end of the period.
2. The average interest rate for the lease obligations presented above is based on the standard method of calculation and does not reflect interest rates for lease obligations recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest expenses included in the total lease payments.
3. Other interest-bearing liabilities represent accounts payable arising from sale and hire purchase back transactions and long-term accounts payable.
4. The repayment schedule for long-term loans payable (excluding current portion), lease obligations (excluding current portion), and other interest-bearing liabilities (excluding current portion) for five years subsequent to March 31, 2019 is as follows:

Category	(Millions of yen)			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	2,663	13,462	3,786	8,461
Lease obligations	73	75	73	59
Other interest-bearing liabilities				
“Other” in non-current liabilities	5	–	–	–

[Annexed consolidated detailed schedule of asset retirement obligations]

As the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amount of liabilities and net assets as of the same dates, annexed consolidated detailed schedule of asset retirement obligations is not disclosed pursuant to the provisions of Article 92-2 of the Regulation on Consolidated Financial Statements.

(2) Other information

Quarterly information for the current fiscal year

Cumulative period	Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	Fiscal year ended March 31, 2019
Net sales (Millions of yen)	59,576	133,565	207,528	274,349
Profit before income taxes (Millions of yen)	7,134	13,552	24,206	28,110
Profit attributable to owners of parent (Millions of yen)	5,645	10,980	20,049	23,687
Basic earnings per share (Yen)	47.91	89.98	162.07	189.93

Three-month period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	47.91	45.99	71.06	28.43