
TEIKOKU ELECTRIC MFG. CO., LTD.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TEIKOKU ELECTRIC MFG. CO., LTD.:

We have audited the accompanying consolidated balance sheet of TEIKOKU ELECTRIC MFG. CO., LTD. and its subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but 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 referred to above present fairly, in all material respects, the consolidated financial position of TEIKOKU ELECTRIC MFG. CO., LTD. and its subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matters

As discussed in Note 2.s to the consolidated financial statements, the accompanying consolidated financial statements have been restated. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 17, 2019
(July 23, 2019 as to Note 15)

TEIKOKU ELECTRIC MFG. CO., LTD.
**Consolidated Balance Sheet
March 31, 2019**

ASSETS	Thousands of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018 As Restated (Note 2.s)	2019		2019	2018 As Restated (Note 2.s)	2019
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 11)	¥ 8,158,576	¥ 8,484,604	\$ 73,501	Short-term bank loans (Notes 5 and 11)	¥ 316,160	¥ 455,790	\$ 2,848
Short-term investments (Notes 3 and 11)	210,715	228,476	1,898	Current portion of long-term lease obligations	131,812	144,409	1,188
Receivables (Notes 11 and 14):				Payables (Notes 11 and 14):			
Trade notes	1,693,337	1,235,223	15,255	Trade notes	1,027,075	843,429	9,253
Trade accounts	6,419,309	6,222,625	57,832	Trade accounts	1,856,220	1,336,876	16,723
Other	229,708	217,199	2,069	Notes and accounts payable	1,293,138	811,801	11,650
Allowance for doubtful accounts	(215,536)	(307,317)	(1,942)	Income taxes payable (Note 11)	1,493,705	936,172	13,457
Inventories (Note 4)	5,670,067	4,413,925	51,082	Accrued expenses	919,077	879,709	8,280
Prepaid expenses and other current assets	225,169	178,112	2,029	Advances received	1,337,818	828,257	12,052
				Other current liabilities	220,810	270,414	1,989
Total current assets	22,391,345	20,672,847	201,724	Total current liabilities	8,595,815	6,506,857	77,440
PROPERTY, PLANT AND EQUIPMENT (Note 5):				LONG-TERM LIABILITIES:			
Land	1,706,861	1,707,161	15,377	Long-term debt (Note 5)	252,163	405,234	2,272
Buildings and structures	7,941,317	7,770,152	71,543	Liability for retirement benefits (Note 6)	450,335	1,075,681	4,057
Machinery and equipment	5,773,945	5,597,313	52,018	Deferred tax liabilities (Note 9)	856	499	8
Lease assets	1,241,197	1,223,233	11,182	Other long-term liabilities	196,649	201,463	1,771
Construction in progress	110,341	17,537	994				
Other	1,378,697	1,286,357	12,421	Total long-term liabilities	900,003	1,682,877	8,108
Total	18,152,358	17,601,753	163,535	CONTINGENT LIABILITIES (Note 12)			
Accumulated depreciation	(9,220,499)	(8,727,796)	(83,068)	EQUITY (Notes 7 and 15):			
Net property, plant and equipment	8,931,859	8,873,957	80,467	Common stock – authorized, 69,200,000 shares; issued, 20,408,138 shares in 2019 and 20,400,138 shares in 2018	3,123,491	3,118,119	28,140
INVESTMENTS AND OTHER ASSETS:				Capital surplus	3,311,720	3,306,348	29,836
Investment securities (Notes 3 and 11)	1,288,086	1,820,443	11,604	Retained earnings	18,383,679	17,841,370	165,619
Software	267,193	344,348	2,407	Treasury stock – at cost, 645,583 shares in 2019 and 645,538 shares in 2018	(809,770)	(809,696)	(7,296)
Software in progress	13,895	954	125	Accumulated other comprehensive income:			
Goodwill	512,202	668,199	4,615	Unrealized gain on available-for-sale securities	364,364	705,333	3,283
Asset for retirement benefits (Note 6)	66,456	62,719	599	Foreign currency translation adjustments	386,024	632,056	3,477
Deferred tax assets (Note 9)	545,913	305,097	4,918	Defined retirement benefit plans	(58,991)	(57,267)	(532)
Other assets	321,658	285,883	2,898	Total	24,700,517	24,736,263	222,527
Allowance for doubtful accounts	(28,200)	(28,200)	(254)	Noncontrolling interests	114,072	80,250	1,028
Total investments and other assets	2,987,203	3,459,443	26,912	Total equity	24,814,589	24,816,513	223,555
TOTAL	¥ 34,310,407	¥ 33,006,247	\$ 309,103	TOTAL	¥ 34,310,407	¥ 33,006,247	\$ 309,103

See notes to consolidated financial statements.

TEIKOKU ELECTRIC MFG. CO., LTD.

Consolidated Statement of Income Year Ended March 31, 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2019</u>	<u>2018</u> As Restated (Note 2.s)	<u>2019</u>
NET SALES (Note 14)	¥ 22,264,576	¥ 20,789,425	\$ 200,582
COST OF SALES	<u>13,135,547</u>	<u>12,299,430</u>	<u>118,338</u>
Gross profit	9,129,029	8,489,995	82,244
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8 and 10)	<u>7,103,757</u>	<u>6,189,464</u>	<u>63,998</u>
Operating income	<u>2,025,272</u>	<u>2,300,531</u>	<u>18,246</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	60,123	51,222	541
Interest expense	(18,450)	(42,384)	(166)
Foreign exchange gain/loss – net	55,583	(28,170)	501
Other – net	<u>243,247</u>	<u>90,468</u>	<u>2,191</u>
Other income (expenses) – net	<u>340,503</u>	<u>71,136</u>	<u>3,067</u>
INCOME BEFORE INCOME TAXES	<u>2,365,775</u>	<u>2,371,667</u>	<u>21,313</u>
INCOME TAXES (Notes 8 and 9):			
Current	1,409,617	843,327	12,699
Deferred	<u>(95,208)</u>	<u>39,813</u>	<u>(858)</u>
Total income taxes	<u>1,314,409</u>	<u>883,140</u>	<u>11,841</u>
NET INCOME	<u>1,051,366</u>	<u>1,488,527</u>	<u>9,472</u>
NET INCOME ATTRIBUTE TO NONCONTROLLING INTERESTS	<u>34,851</u>	<u>(7,885)</u>	<u>314</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 1,016,515</u>	<u>¥ 1,496,412</u>	<u>\$ 9,158</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥51.44	¥74.61	\$0.46
Cash dividends applicable to the year	24.00	16.00	0.22

See notes to consolidated financial statements.

TEIKOKU ELECTRIC MFG. CO., LTD.

Consolidated Statement of Comprehensive Income Year Ended March 31, 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2019</u>	<u>2018</u> As Restated (Note 2.s)	<u>2019</u>
NET INCOME	<u>¥ 1,051,366</u>	<u>¥ 1,488,527</u>	<u>\$ 9,472</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 13):			
Unrealized gain (loss) on available-for-sale securities	(340,969)	148,358	(3,072)
Foreign currency translation adjustments	(247,062)	(6,578)	(2,225)
Defined retirement benefit plans	(1,724)	17,675	(16)
Total other comprehensive (loss)	<u>(589,755)</u>	<u>159,455</u>	<u>(5,313)</u>
COMPREHENSIVE INCOME	<u>¥ 461,611</u>	<u>¥ 1,647,982</u>	<u>\$ 4,159</u>
TOTAL COMPREHENSIVE INCOME (LOSS)			
ATTRIBUTABLE TO:			
Owners of the parent	¥427,789	¥1,660,852	\$3,854
Noncontrolling interests	33,822	(12,870)	305

See notes to consolidated financial statements.

TEIKOKU ELECTRIC MFG. CO., LTD.
**Consolidated Statement of Changes in Equity
Year Ended March 31, 2019**

	Thousands	Thousands of Yen								
		Accumulated Other Comprehensive Income								
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2017 (As restated (Note 2.s))	20,387,300	¥ 3,118,119	¥ 3,306,348	¥ 16,668,441	¥ (9,803)	¥ 556,975	¥ 633,649	¥ (74,942)		¥ 24,198,787
Net income attributable to owners of the parent				1,496,412						1,496,412
Cash dividends, ¥16.00 per share				(323,483)						(323,483)
Purchase of treasury stock (Note 7)	(632,700)				(799,893)					(799,893)
Increase by merger									¥ 93,120	93,120
Net change in the year						148,358	(1,593)	17,675	(12,870)	151,570
BALANCE, MARCH 31, 2018	19,754,600	3,118,119	3,306,348	17,841,370	(809,696)	705,333	632,056	(57,267)	80,250	24,816,513
Net income attributable to owners of the parent				1,016,515						1,016,515
Cash dividends, ¥24.00 per share				(474,206)						(474,206)
Purchase of treasury stock (Note 7)	(45)				(74)					(74)
Issuance of new shares	8,000	5,372	5,372							10,744
Increase by merger										
Net change in the year						(340,969)	(246,032)	(1,724)	33,822	(554,903)
BALANCE, MARCH 31, 2019	19,762,555	¥ 3,123,491	¥ 3,311,720	¥ 18,383,679	¥ (809,770)	¥ 364,364	¥ 386,024	¥ (58,991)	¥ 114,072	¥ 24,814,589
		Thousands of U.S. Dollars (Note 1)								
		Accumulated Other Comprehensive Income								
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2018		\$ 28,091	\$ 29,787	\$ 160,733	\$(7,295)	\$ 6,355	\$ 5,694	\$(516)	\$ 723	\$ 223,572
Net income attributable to owners of the parent				9,158						9,158
Cash dividends, \$0.22 per share				(4,272)						(4,272)
Purchase of treasury stock (Note 7)					(1)					(1)
Issuance of new shares		49	49							98
Increase by merger										
Net change in the year						(3,072)	(2,217)	(16)	305	(5,000)
BALANCE, MARCH 31, 2019		\$ 28,140	\$ 29,836	\$ 165,619	\$(7,296)	\$ 3,283	\$ 3,477	\$(532)	\$ 1,028	\$ 223,555

See notes to consolidated financial statements.

TEIKOKU ELECTRIC MFG. CO., LTD.

Consolidated Statement of Cash Flows Year Ended March 31, 2019

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2019</u>	<u>2018</u> As Restated (Note 2.s)	<u>2019</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 2,365,775	¥ 2,371,667	\$ 21,313
Adjustments for:			
Income taxes – paid	(804,723)	(486,476)	(7,250)
Depreciation and amortization	1,023,457	1,000,438	9,221
Amortization of goodwill	168,613	175,199	1,519
Foreign exchange loss (gain) – net	(15,198)	28,581	(137)
Gain on sales of investment securities	(139,842)	(30,219)	(1,260)
Changes in assets and liabilities:			
(Increase) in notes and accounts receivable	(856,977)	(105,556)	(7,720)
(Increase) in inventories	(1,368,587)	(182,831)	(12,330)
Increase (decrease) in notes and accounts payable	768,476	(113,640)	6,923
Changes in asset or liability for retirement benefits	(631,366)	34,637	(5,688)
Other – net	885,512	715,139	7,978
Net cash provided by operating activities	<u>1,395,140</u>	<u>3,406,939</u>	<u>12,569</u>
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(982,845)	(1,682,956)	(8,854)
Proceeds from sales of investment securities	183,516	39,979	1,653
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(933,826)	
Purchases of intangible assets	(55,093)	(81,396)	(496)
Purchases of investment securities	(4,321)	(6,735)	(39)
Payment into time deposits	(8,133)	(101,511)	(73)
Proceeds from withdrawal of time deposits	21,581	77,570	194
Other – net	14,544	12,162	131
Net cash used in investing activities	<u>(830,751)</u>	<u>(2,676,713)</u>	<u>(7,484)</u>
FINANCING ACTIVITIES:			
(Decrease) in short-term bank loans – net	(131,600)	(50,271)	(1,186)
Repayments of long-term debt	(33,390)		(300)
Payments of lease obligations	(147,261)	(173,199)	(1,327)
Repurchases of treasury stock	(73)	(799,893)	(1)
Dividends paid	(474,206)	(323,483)	(4,272)
Net cash used in financing activities	<u>(786,530)</u>	<u>(1,346,846)</u>	<u>(7,086)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(103,887)	49,589	(936)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(326,028)	(567,031)	(2,937)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,484,604</u>	<u>9,051,635</u>	<u>76,438</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 8,158,576</u>	<u>¥ 8,484,604</u>	<u>\$ 73,501</u>

See notes to consolidated financial statements.

TEIKOKU ELECTRIC MFG. CO., LTD.

Notes to Consolidated Financial Statements Year Ended March 31, 2019

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TEIKOKU ELECTRIC MFG. CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111.00 to \$1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation** – The consolidated financial statements as of March 31, 2019, include the accounts of the Company and all of its 14 (14 in 2018) subsidiaries (together, the "Group").

Foreign subsidiaries (except for HYDRODYNE TEIKOKU (INDIA) PVT. LTD.) are consolidated using the financial statements as of December 31 because the difference between the closing date of the subsidiaries and that of the Company did not exceed three months. Significant transactions have been adjusted in consolidation.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized on a straight-line basis over a period of five years.

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements – In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

d. Marketable and Investment Securities – Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

e. Allowance for Doubtful Accounts – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. Inventories – Inventories are stated at the lower of cost, determined by the average cost method, or net selling value for the Company and its domestic subsidiaries and at the lower of cost, determined by the first-in, first-out method, or net selling value for foreign subsidiaries.

g. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries other than buildings acquired on or after April 1, 1998, is computed using the declining-balance method, while depreciation of property, plant and equipment of its consolidated foreign subsidiaries is mainly computed using the straight-line method at rates based on estimated useful lives of the assets. Buildings of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 1998, and building improvements and structures of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 2016, are depreciated using the straight-line method. The range of useful lives is principally from 15 to 50 years for buildings and structures, and from 7 to 12 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

- h. Long-Lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- i. Software** – Software for internal use is amortized using the straight-line method over the estimated usable life. The estimated usable life is from 5 years.
- j. Retirement and Pension Plans** – The liabilities (assets) for retirement benefits of employees are accounted for based on projected benefit obligations and plan assets at the consolidated balance sheet date. The actuarial differences are mainly amortized from the next year using the decline-balance method over 10 years, which is within the average remaining service period. The prior service costs are mainly amortized using the declining-balance method over 10 years, which is within the average remaining service period.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

- k. Research and Development Costs** – Research and development costs are charged to income as incurred.
- l. Leases** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

- m. Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥389,467 thousand and deferred tax liabilities of ¥28,402 thousand which were previously classified as current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets and long-term liabilities, respectively, in the accompanying consolidated balance sheet.

- n. Foreign Currency Transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

p. Per Share Information – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

The weighted-average number of common shares outstanding used in the computation were 19,759,986 and 20,057,069 for the fiscal years ended March 31, 2019 and 2018, respectively.

Diluted net income per share is not presented because there are no potentially dilutive securities outstanding.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

q. Accounting Changes and Error Corrections – In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

r. New Accounting Pronouncements

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

s. Restatement for the Year Ended March 31, 2018

The Company identified errors in its consolidated subsidiary, DALIAN TEIKOKU CANNED MOTOR PUMP CO., LTD. and its sub-subsidiaries, JINAN DADI CANNED MOTOR PUMP MAINTENANCE CO., LTD., WUXI DADI CANNED MOTOR PUMP MAINTENANCE CO., LTD., CHENGDU DADI CANNED MOTOR PUMP MAINTENANCE CO., LTD., during the current and prior periods.

As a result, the Company has restated its previously issued consolidated financial statements disclosed in the Annual Securities Report, and revised figures are presented on its consolidated financial statements for the fiscal year ended March 31, 2018.

The following is a summary of the corrections applied on the consolidated financial statements for the year ended March 31, 2018:

	Thousands of Yen		
	As Previously Reported	Adjustments	As Restated
Consolidated balance sheet:			
Receivables – Trade accounts	¥6,402,083	¥(179,458)	¥6,222,625
Inventories	4,315,397	98,528	4,413,925
Payables – Notes and accounts payable	514,623	297,178	811,801
Income taxes payable	524,586	411,586	936,172
Consolidated statement of income:			
Net sales	¥20,792,262	¥ (2,837)	¥20,789,425
Operating income	2,336,986	(36,455)	2,300,531
Income before income taxes	2,408,122	(36,455)	2,371,667
Net income attributable to owners of the parent	1,581,000	(84,588)	1,496,412
Consolidated statement of changes in equity:			
Beginning retained earnings	¥17,183,663	¥(515,222)	¥16,668,441
		Yen	
	As Previously Reported	Adjustments	As Restated
Per share of common stock:			
Basic net income per share	¥78.83	¥(4.22)	¥74.61

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2019 and 2018, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Current:			
Time deposits other than cash equivalents	¥ 210,715	¥ 228,476	\$ 1,898
Total	<u>¥ 210,715</u>	<u>¥ 228,476</u>	<u>\$ 1,898</u>
Non-current:			
Marketable equity securities	¥ 1,271,188	¥ 1,804,120	\$ 11,452
Unquoted equity securities	3,727	3,727	33
Trust fund investments and other	<u>13,171</u>	<u>12,596</u>	<u>119</u>
Total	<u>¥ 1,288,086</u>	<u>¥ 1,820,443</u>	<u>\$ 11,604</u>

The costs and aggregate fair values of marketable and investment securities at March 31, 2019 and 2018, were as follows:

	Thousands of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2019</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥747,493	¥537,046	¥(13,351)	¥1,271,188
Other	10,535	2,636		13,171
	Thousands of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2018</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥787,790	¥1,016,330		¥1,804,120
Other	10,535	2,061		12,596
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2019</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$6,734	\$4,838	\$(120)	\$11,452
Other	95	24		119

Available-for-sale securities sold during the years ended March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Proceeds from sales	¥183,516	¥39,979	\$1,653
Gain on sales	139,842	30,219	1,260
Loss on sales	(944)		(9)

4. INVENTORIES

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

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Finished products	¥ 1,746,810	¥ 1,509,272	\$ 15,737
Work in process	1,998,453	1,511,457	18,004
Raw materials and supplies	<u>1,924,804</u>	<u>1,393,196</u>	<u>17,341</u>
Total	<u>¥ 5,670,067</u>	<u>¥ 4,413,925</u>	<u>\$ 51,082</u>

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2019 and 2018, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.34% to 4.35% and 0.34% to 4.35% at March 31, 2019 and 2018, respectively.

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

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Long-term loans	¥ 78,890	¥ 114,800	\$ 711
Obligations under finance leases	<u>305,085</u>	<u>434,843</u>	<u>2,749</u>
Total	<u>383,975</u>	<u>549,643</u>	<u>3,460</u>
Less current portion	<u>(131,812)</u>	<u>(144,409)</u>	<u>(1,188)</u>
Long-term debt, less current portion	<u>¥ 252,163</u>	<u>¥ 405,234</u>	<u>\$ 2,272</u>

The annual average interest rate applicable to long-term loan at March 31, 2018, was 12.50%.

Annual maturities of long-term loan and lease obligations as of March 31, 2019, for the next five years and thereafter was as follows:

<u>Year Ending March 31</u>	<u>Thousands of Yen</u>	<u>Thousands of U.S. Dollars</u>
2020	¥ 131,812	\$ 1,188
2021	162,521	1,464
2022	45,518	410
2023	34,413	310
2024	9,711	88
2025 and thereafter	<u> </u>	<u> </u>
Total	<u>¥ 383,975</u>	<u>\$ 3,460</u>

6. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee.

In addition, the Company have set an employee's retirement benefit trust to a lump-sum severance payment from this consolidated fiscal year.

The Company has contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other consolidated subsidiaries have unfunded retirement benefit plans.

- (1) The changes in defined benefit obligation for the years ended March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Balance at beginning of year	¥ 1,492,685	¥ 1,448,961	\$ 13,448
Current service cost	136,121	118,332	1,226
Interest cost	8,694	10,177	78
Change in scope of consolidation		9,279	
Accounting change		14,466	
Actuarial losses (gains)	22,082	27,299	199
Benefits paid	(61,508)	(135,199)	(554)
Others	(199)	(630)	(2)
Balance at end of year	<u>¥ 1,597,875</u>	<u>¥ 1,492,685</u>	<u>\$ 14,395</u>

- (2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Balance at beginning of year	¥ 479,723	¥ 451,969	\$ 4,322
Expected return on plan assets	9,594	9,039	86
Actuarial losses (gains)	(8,352)	9,313	(75)
Contributions from the employer	45,374	45,098	409
Contributions to retirement benefit trust	700,000		6,306
Benefits paid	(12,343)	(35,696)	(111)
Balance at end of year	<u>¥ 1,213,996</u>	<u>¥ 479,723</u>	<u>\$ 10,937</u>

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Funded defined benefit obligation	¥ 1,319,363	¥ 417,004	\$ 11,886
Plan assets	(1,213,996)	(479,723)	(10,937)
Total	105,367	(62,719)	949
Unfunded defined benefit obligation	<u>278,512</u>	<u>1,075,681</u>	<u>2,509</u>
Net liability arising from defined benefit obligation	<u>¥ 383,879</u>	<u>¥ 1,012,962</u>	<u>\$ 3,458</u>

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Liability for retirement benefits	¥ 450,335	¥ 1,075,681	\$ 4,057
Asset for retirement benefits	(66,456)	(62,719)	(599)
Net liability arising from defined benefit obligation	<u>¥ 383,879</u>	<u>¥ 1,012,962</u>	<u>\$ 3,458</u>

- (4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Service cost	¥ 136,121	¥ 118,332	\$ 1,226
Interest cost	8,694	10,177	78
Expected return on plan assets	(9,594)	(9,039)	(86)
Amortization of prior service cost	(608)	(746)	(5)
Recognized actuarial losses (gains)	28,558	44,200	257
Accounting change		14,466	
Net periodic benefit costs	<u>¥ 163,171</u>	<u>¥ 177,390</u>	<u>\$ 1,470</u>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Prior service cost	¥ (608)	¥ (746)	\$ (5)
Actuarial losses (gains)	<u>(1,877)</u>	<u>26,214</u>	<u>(17)</u>
Total	<u>¥(2,485)</u>	<u>¥ 25,468</u>	<u>\$ (22)</u>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Unrecognized prior service cost		¥ 608	
Unrecognized actuarial (gains)	<u>¥(85,002)</u>	<u>(83,124)</u>	<u>\$ (766)</u>
Total	<u>¥(85,002)</u>	<u>¥(82,516)</u>	<u>\$ (766)</u>

- (7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Domestic debt investments	43%	33%
Domestic equity investments	8	21
Foreign debt investments	8	10
Foreign equity investments	23	20
General account assets of life insurance	5	12
Cash and cash equivalents	12	3
Others	<u>1</u>	<u>1</u>
Total	<u>100%</u>	<u>100%</u>

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2019 and 2018, are set forth as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	0.56~0.61 %	0.67~0.74 %
Expected rate of return on plan assets	2.00 %	2.00 %

(9) Defined contribution plans

The amount of required contribution to the defined contribution plans of the Company were ¥19,805 thousand (\$178 thousand) and ¥17,956 thousand for the years ended March 31, 2019 and 2018, respectively.

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. TAXES RELATED TO ERRORS

As discussed in Note 2.s, the Company identified errors in its consolidated subsidiary, DALIAN TEIKOKU CANNED MOTOR PUMP CO., LTD. and its sub-subsidiaries.

The estimate taxes related to errors are included in selling, general and administrative expenses at ¥399,784 thousand (\$3,602 thousand), and in income taxes at ¥610,080 thousand (\$5,496 thousand) in the current fiscal year.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% and 30.8% for the years ended March 31, 2019 and 2018, respectively.

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

	Thousands of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Accrued bonuses	¥ 151,056	¥ 142,141	\$ 1,361
Inventories	55,940	50,840	504
Accrued enterprise tax	24,811	29,123	224
Unrealized intercompany profits	75,961	79,821	684
Liability for retirement benefits	359,235	335,451	3,236
Loss on valuation of golf club membership	5,542	8,999	50
Impairment loss	39,997	39,998	360
Other	292,310	282,136	2,633
Less valuation allowance	(107,160)	(97,625)	(965)
Total	897,692	870,884	8,087
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	80,773	151,683	728
Reserve for special depreciation		1,898	
Reserve for advanced depreciation of non-current assets	76,549	79,110	690
Net unrealized gain on available-for-sale securities	161,967	313,059	1,459
Other	33,346	20,536	300
Total	352,635	566,286	3,177
Net deferred tax assets	¥ 545,057	¥ 304,598	\$ 4,910

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2019, with the corresponding figures for 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Normal effective statutory tax rate	30.6%	30.8%
Expenses not deductible for income tax purposes	0.9	1.6
Income not taxable for income tax purposes	(0.1)	(0.1)
Lower income tax rates applicable to income in certain foreign countries	(3.5)	(1.4)
Amortization of goodwill	1.8	2.5
Effect of financial statement error correction	25.0	2.9
Other – net	<u>0.9</u>	<u>0.9</u>
Actual effective tax rate	<u>55.6%</u>	<u>37.2%</u>

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥504,897 thousand (\$4,549 thousand) and ¥443,030 thousand for the years ended March 31, 2019 and 2018, respectively.

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations.

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal guidelines. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are controlled by netting against the balance of payables in the same foreign currency and exchanging into yen timely monitoring market trends so as not to increase assets in foreign currencies excessively. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Such investments are managed by monitoring market values and the financial position of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

The carrying amounts, fair values and unrealized gain/loss as of March 31, 2019 and 2018, are as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>March 31, 2019</u>			
Cash and cash equivalents	¥ 8,158,576	¥ 8,158,576	
Receivables:			
Trade notes	1,693,337	1,693,337	
Trade accounts	6,419,309	6,419,309	
Allowance for doubtful accounts*	(208,596)	(208,596)	
Receivables – net	7,904,050	7,904,050	
Short-term investments and investment securities	1,495,073	1,495,073	
Total	¥ 17,557,699	¥ 17,557,699	
Payables:			
Trade notes	¥ 1,027,075	¥ 1,027,075	
Trade accounts	1,856,220	1,856,220	
Short-term bank loans	316,160	316,160	
Income taxes payable	1,493,705	1,493,705	
Total	¥ 4,693,160	¥ 4,693,160	
	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>March 31, 2018</u>			
Cash and cash equivalents	¥ 8,484,604	¥ 8,484,604	
Receivables:			
Trade notes	1,235,223	1,235,223	
Trade accounts	6,222,625	6,222,625	
Allowance for doubtful accounts*	(305,702)	(305,702)	
Receivables – net	7,152,146	7,152,146	
Short-term investments and investment securities	2,045,192	2,045,192	
Total	¥ 17,681,942	¥ 17,681,942	
Payables:			
Trade notes	¥ 843,429	¥ 843,429	
Trade accounts	1,336,876	1,336,876	
Short-term bank loans	455,790	455,790	
Income taxes payable	936,172	936,172	
Total	¥ 3,572,267	¥ 3,572,267	

<u>March 31, 2019</u>	Thousands of U.S. Dollars		Unrealized Gain/Loss
	Carrying Amount	Fair Value	
Cash and cash equivalents	\$ 73,501	\$ 73,501	
Receivables:			
Trade notes	15,255	15,255	
Trade accounts	57,832	57,832	
Allowance for doubtful accounts*	(1,879)	(1,879)	
Receivables – net	71,208	71,208	
Short-term investments and investment securities	13,469	13,469	
Total	\$ 158,178	\$ 158,178	
Payables:			
Trade notes	\$ 9,253	\$ 9,253	
Trade accounts	16,723	16,723	
Short-term bank loans	2,848	2,848	
Income taxes payable	13,457	13,457	
Total	\$ 42,281	\$ 42,281	

Note: * Allowance for doubtful accounts associated with trade notes and accounts receivable is deducted.

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Short-term Investments and Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments and investment trusts. Short-term investments consists of time deposits other than cash equivalents. The carrying values of these short-term investments approximate fair value because of their short maturities. Fair value information for short-term investments and investment securities by classification is included in Note 3.

Receivables

The fair values of receivables are measured at the amount to be received at maturity, which reflects credit risk by allowance for doubtful accounts.

Payables, Short-Term Bank Loans, and Income Taxes Payable

The carrying values of these items approximate fair value because of their short maturities.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥3,727	¥3,727	\$33

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

		Thousands of Yen			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2019</u>					
Cash and cash equivalents	¥ 8,158,576				
Receivables:					
Trade notes	1,693,337				
Trade accounts	6,419,309				
Short-term investments and investment securities:					
Time deposits other than cash equivalents	210,715				
Available-for-sale securities with contractual maturities			¥ 13,171		
Total	¥ 16,481,937	¥ 16,481,937	¥ 13,171		

		Thousands of Yen			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2018</u>					
Cash and cash equivalents	¥ 8,484,604				
Receivables:					
Trade notes	1,235,223				
Trade accounts	6,222,625				
Short-term investments and investment securities:					
Time deposits other than cash equivalents	228,476				
Available-for-sale securities with contractual maturities			¥ 12,596		
Total	¥ 16,170,928	¥ 16,170,928	¥ 12,596		

		Thousands of U.S. Dollars			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2019</u>					
Cash and cash equivalents	\$ 73,501				
Receivables:					
Trade notes	15,255				
Trade accounts	57,832				
Short-term investments and investment securities:					
Time deposits other than cash equivalents	1,898				
Available-for-sale securities with contractual maturities			\$ 119		
Total	\$ 148,486	\$ 148,486	\$ 119		

12. CONTINGENT LIABILITIES

At March 31, 2019, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥170,858	\$1,539
Trade notes endorsed	680,708	6,133

13. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ (353,163)	¥ 244,428	\$ (3,182)
Reclassification adjustments to profit or loss	(138,898)	(30,219)	(1,251)
Amount before income tax effect	(492,061)	214,209	(4,433)
Income tax effect	151,092	(65,851)	1,361
Total	<u>¥ (340,969)</u>	<u>¥ 148,358</u>	<u>\$ (3,072)</u>
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (247,062)	¥ (6,578)	\$ (2,225)
Amount before income tax effect	(247,062)	(6,578)	(2,225)
Total	<u>¥ (247,062)</u>	<u>¥ (6,578)</u>	<u>\$ (2,225)</u>
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (30,477)	¥ (17,674)	\$ (274)
Reclassification adjustments to profit or loss	27,992	43,142	252
Amount before income tax effect	(2,485)	25,468	(22)
Income tax effect	761	(7,793)	6
Total	<u>¥ (1,724)</u>	<u>¥ 17,675</u>	<u>\$ (16)</u>
Total other comprehensive income (loss)	<u>¥ (589,755)</u>	<u>¥ 159,455</u>	<u>\$ (5,313)</u>

14. RELATED PARTY DISCLOSURES

(1) Transactions between subsidiaries and the related parties for the years ended March 31, 2019 and 2018, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Mitsubishi Electric Corporation, a major shareholder:			
Net sales	¥1,737,834	¥2,057,355	\$15,656
Trade accounts receivable	264,526	303,989	2,383

- (2) Transactions between the Group and directors, etc. for the years ended March 31, 2019 and 2018, were as follows:

	<u>Thousands of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
ME•DIC CO., LTD., a company in which close relatives of a director of the Company holds a majority of voting rights:			
Purchase and maintenance of machinery and equipment	¥9,862	¥92,786	\$89
Trade accounts payable	987	279	9

Notes:

- *1. Consumption tax is excluded from the transaction amount and included in the balance at year end.
- *2. Contract terms and sales price are determined based on the contract terms of external customers.

15. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2019, was approved at the Company's shareholders' meeting held on June 27, 2019:

	<u>Thousands of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥12 (\$0.11) per share	¥237,151	\$2,136

16. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group mainly produces and sells pumps. Production headquarters and manufacturing subsidiaries are responsible for manufacturing and purchasing. The sales headquarter and sales subsidiaries are responsible for sales. In addition, a specific subsidiary produces and sells electronic components.

Therefore, the Group's reportable segments consist of "Pumps" and "Electronic components." "Pumps" consists of the manufacture and sale of motor pumps for chemical and other. "Electronic components" consists of the manufacture and sale of automotive electrical components and industrial equipment substrates.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Income by reportable segment is operating income.

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Thousands of Yen					
2019					
Reportable Segment					
	Pumps	Electronic Components	Total	Other	Consolidated
Sales:					
Sales to external customers	¥ 20,019,890	¥ 1,738,004	¥ 21,757,894	¥ 506,682	¥ 22,264,576
Intersegment sales or transfers					
Total	<u>¥ 20,019,890</u>	<u>¥ 1,738,004</u>	<u>¥ 21,757,894</u>	<u>¥ 506,682</u>	<u>¥ 22,264,576</u>
Segment profit (loss)	¥ 2,004,902	¥ (64,439)	¥ 1,940,463	¥ 84,809	¥ 2,025,272
Segment assets	31,767,469	2,035,451	33,802,920	507,487	34,310,407
Other:					
Depreciation	836,615	178,781	1,015,396	8,061	1,023,457
Amortization of goodwill	168,613		168,613		168,613
Increase in property, plant and equipment and intangible assets	979,795	104,910	1,084,705	8,147	1,092,852
Thousands of Yen					
2018					
Reportable Segment					
	Pumps	Electronic Components	Total	Other	Consolidated
Sales:					
Sales to external customers	¥ 18,242,482	¥ 2,057,355	¥ 20,299,837	¥ 489,588	¥ 20,789,425
Intersegment sales or transfers					
Total	<u>¥ 18,242,482</u>	<u>¥ 2,057,355</u>	<u>¥ 20,299,837</u>	<u>¥ 489,588</u>	<u>¥ 20,789,425</u>
Segment profit	¥ 2,022,323	¥ 193,591	¥ 2,215,914	¥ 84,617	¥ 2,300,531
Segment assets	30,197,317	2,321,494	32,518,811	487,436	33,006,247
Other:					
Depreciation	791,511	202,703	994,214	6,224	1,000,438
Amortization of goodwill	175,199		175,199		175,199
Increase in property, plant and equipment and intangible assets	481,994	87,121	569,115	24,419	593,534
Thousands of U.S. Dollars					
2019					
Reportable Segment					
	Pumps	Electronic Components	Total	Other	Consolidated
Sales:					
Sales to external customers	\$ 180,359	\$ 15,658	\$ 196,017	\$ 4,565	\$ 200,582
Intersegment sales or transfers					
Total	<u>\$ 180,359</u>	<u>\$ 15,658</u>	<u>\$ 196,017</u>	<u>\$ 4,565</u>	<u>\$ 200,582</u>
Segment profit (loss)	\$ 18,062	\$ (580)	\$ 17,482	\$ 764	\$ 18,246
Segment assets	286,194	18,337	304,531	4,572	309,103
Other:					
Depreciation	7,537	1,611	9,148	73	9,221
Amortization of goodwill	1,519		1,519		1,519
Increase in property, plant and equipment and intangible assets	8,827	945	9,772	74	9,846

Note: "Other" consists of operating segments which are not included in the reportable segments, such as special equipment, health food and worker dispatch business.

(4) Information about Products and Services

Thousands of Yen				
2019				
	Pumps	Electronic Components	Other	Total
Sales to external customers	¥20,019,890	¥1,738,004	¥506,682	¥22,264,576

Thousands of Yen				
2018				
	Pumps	Electronic Components	Other	Total
Sales to external customers	¥18,242,481	¥2,057,355	¥489,588	¥20,789,425

Thousands of U.S. Dollars				
2019				
	Pumps	Electronic Components	Other	Total
Sales to external customers	\$180,359	\$15,658	\$4,565	\$200,582

(5) Information about Geographical Areas

a. Sales

Thousands of Yen						
2019						
	Asia and Oceania		Americas			
Japan	China	Other	United States	Other	Other	Total
¥7,968,432	¥6,688,212	¥3,105,259	¥3,573,623	¥211,555	¥717,495	¥22,264,576

Thousands of Yen						
2018						
	Asia and Oceania		Americas			
Japan	China	Other	United States	Other	Other	Total
¥7,820,130	¥5,505,664	¥2,562,342	¥3,977,734	¥52,984	¥870,571	¥20,789,425

Thousands of U.S. Dollars						
2019						
	Asia and Oceania		Americas			
Japan	China	Other	United States	Other	Other	Total
\$71,788	\$60,254	\$27,975	\$32,195	\$1,906	\$6,464	\$200,582

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

b. *Property, plant and equipment*

Thousands of Yen				
2019				
Japan	Asia and Oceania	Americas	Other	Total
¥7,671,611	¥994,651	¥261,737	¥3,860	¥8,931,859

Thousands of Yen				
2018				
Japan	Asia and Oceania	Americas	Other	Total
¥7,657,614	¥995,650	¥220,407	¥286	¥8,873,957

Thousands of U.S. Dollars				
2019				
Japan	Asia and Oceania	Americas	Other	Total
\$69,113	\$8,961	\$2,358	\$35	\$80,467

(6) Information about Major Customers

2019		
Name of Customers	Thousands of Yen Sales	Related Segment Name
Mitsubishi Electric Corporation	¥1,908,586	Pumps, Electronic components

2018		
Name of Customers	Thousands of Yen Sales	Related Segment Name
Mitsubishi Electric Corporation	¥2,221,937	Pumps, Electronic components

2019		
Name of Customers	Thousands of U.S. Dollars Sales	Related Segment Name
Mitsubishi Electric Corporation	\$17,194	Pumps, Electronic components

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