Appendix

BANDO CHEMICAL INDUSTRIES, LTD. and Subsidiaries

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

Consolidated financial statements, Notes to consolidated financial statements

Consolidated Statement of Financial Position

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
March 31, 2019 and 2018

Assets	Millions of yen As of March 31, 2019	Millions of yen As of March 31, 2018	Millions of yen Transition date As of April 1, 2017	Thousands of U.S. dollars (Note 4) As of March 31, 2019
Current Assets:				
Cash and cash equivalents (Notes 8 and 35)	**¥ 17,530**	¥ 18,477	¥ 18,936	**$ 159,364**
Trade and other receivables (Notes 9 and 35)	**21,707**	21,493	20,836	**197,339**
Inventories (Note 10)	**12,949**	12,207	10,950	**117,723**
Income taxes receivable	**12**	7	20	**110**
Other financial assets (Notes 11 and 35)	**471**	481	604	**4,286**
Other current assets (Note 12)	**895**	833	812	**8,130**
Total Current Assets	**53,564**	53,498	52,158	**486,952**
Non-current Assets:				
Property, plant and equipment (Notes 13 and 15)	**32,597**	32,762	32,488	**296,339**
Goodwill (Note 14)	**73**	74	75	**662**
Intangible assets (Notes 14 and 15)	**1,761**	1,814	1,666	**16,012**
Investments accounted for using equity method (Note 16)	**6,357**	5,815	5,534	**57,793**
Other financial assets (Notes 11 and 35)	**6,998**	8,201	7,535	**63,615**
Deferred tax assets (Note 17)	**458**	349	413	**4,161**
Other non-current assets (Note 12)	**749**	734	672	**6,806**
Total Non-current Assets	**48,993**	49,749	48,383	**445,388**
Total Assets	**¥ 102,557**	¥ 103,247	¥ 100,541	**$ 932,340**

See accompanying notes to consolidated financial statements.

Liabilities and Equity	Millions of yen As of March 31, 2019	As of March 31, 2018	Transition date As of April 1, 2017	Thousands of U.S. dollars (Note 4) As of March 31, 2019
Current Liabilities:				
Trade and other payables (Notes 18 and 35)	¥ **16,650**	¥ 18,068	¥ 16,293	$ **151,367**
Bonds and borrowings (Notes 19 and 35)	**2,768**	2,921	4,499	**25,167**
Income taxes payable	**552**	783	869	**5,020**
Other financial liabilities (Notes 22 and 35)	**38**	32	46	**347**
Provisions (Note 23)	**315**	−	−	**2,864**
Other current liabilities(Note 24)	**3,909**	4,218	4,015	**35,527**
Total Current Liabilities	**24,232**	26,022	25,722	**220,292**
Non-current liabilities:				
Bonds and borrowings (Note 19)	**7,636**	9,227	10,914	**69,417**
Net defined benefit liability (Note 21)	**1,624**	1,408	2,169	**14,762**
Other financial liabilities (Notes 22 and 35)	**146**	139	155	**1,325**
Deferred tax liabilities (Note 17)	**470**	926	505	**4,273**
Other non-current liabilities (Note 24)	**316**	316	278	**2,881**
Total Non-current Liabilities	**10,192**	12,016	14,021	**92,658**
Total Liabilities	**34,424**	38,038	39,743	**312,950**
Equity				
Common stock (Note 25)				
Authorized: 187,000,000 shares				
Issued as of April 1, 2017, and				
March 31, 2018 and 2019 − 47,213,536 shares	**10,952**	10,952	10,952	**99,563**
Capital surplus (Note 25)	**3,093**	3,061	3,023	**28,115**
Retained earnings (Note 25)	**53,148**	49,442	45,380	**483,162**
Treasury stock, at cost (Note 25)				
April 1, 2017 − 1,386,131 shares				
March 31, 2018 − 1,434,623 shares				
March 31, 2019 − 1,355,774 shares	**(1,347)**	(1,433)	(1,368)	**(12,242)**
Other components of equity (Note 25)	**2,026**	2,952	2,588	**18,418**
Total Equity Attributable to Owners of Parent	**67,872**	64,974	60,575	**617,016**
Non-controlling interests	**261**	235	223	**2,374**
Total Equity	**68,133**	65,209	60,798	**619,390**
Total Liabilities and Equity	¥ **102,557**	¥ 103,247	¥ 100,541	$ **932,340**

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

Consolidated Statement of Profit or Loss	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 4) 2019
Revenue (Notes 7 and 27)	**¥ 94,319**	¥ 90,798	**$ 857,443**
Cost of sales (Note 28)	**(66,756)**	(63,272)	**(606,870)**
Gross profit	**27,563**	27,526	**250,573**
Selling, general and administrative expenses (Note 28)	**(21,060)**	(20,837)	**(191,454)**
Other income (Note 29)	**328**	245	**2,980**
Other expenses (Note 29)	**(921)**	(528)	**(8,371)**
Share of profit of investments accounted for using equity method (Note 16)	**905**	750	**8,229**
Operating income	**6,815**	7,156	**61,957**
Finance income (Note 30)	**487**	275	**4,430**
Finance costs (Note 30)	**(136)**	(532)	**(1,235)**
Profit before income taxes	**7,166**	6,899	**65,152**
Income tax expense (Note 17)	**(1,676)**	(1,763)	**(15,238)**
Profit for the year	**5,490**	5,136	**49,914**
Profit attributable to:			
Owners of parent	**5,457**	5,100	**49,610**
Non-controlling interests	**33**	36	**304**
Profit for the year	**¥ 5,490**	¥ 5,136	**$ 49,914**

See accompanying notes to consolidated financial statements.

	Yen 2019	Yen 2018	U.S. dollars (Note 4) 2019
Earnings per Share Attributable to Owners of Parent			
Basic earnings per share (Note 32)	**119.09**	111.39	**1.08**

Consolidated Statement of Comprehensive Income	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 4) 2019
Profit for the year	**¥ 5,490**	¥ 5,136	**$ 49,914**
Other Comprehensive Income (Note 31)			
Items That Will Not Be Reclassified to Profit or Loss			
Net changes in fair value of financial assets measured at FVTOCI	**(829)**	535	**(7,534)**
Remeasurements of defined benefit plans	**(373)**	334	**(3,391)**
Share of OCI of investments accounted for using equity method	**32**	(70)	**287**
Total Items That Will Not Be Reclassified to Profit or Loss	**(1,170)**	799	**(10,638)**
Items That May Be Reclassified Subsequently to Profit or Loss			
Exchange differences on translation of foreign operations	**(96)**	(0)	**(878)**
Net changes in fair value of cash flow hedges	**–**	(1)	**–**
Share of OCI of investments accounted for using equity method	**20**	(158)	**185**
Total Items That May Be Reclassified Subsequently to Profit or Loss	**(76)**	(159)	**(693)**
Total Other Comprehensive Income	**(1,246)**	640	**(11,331)**
Comprehensive Income	**¥ 4,244**	¥ 5,776	**$ 38,583**
Comprehensive Income Attributable to:			
Owners of parent	**¥ 4,201**	¥ 5,755	**$ 38,188**
Non-controlling interests	**43**	21	**395**
Comprehensive Income	**4,244**	5,776	**38,583**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Thousands of shares	Millions of yen							
		Equity attributable to owners of parent							
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2017	47,214	¥10,952	¥3,023	¥45,380	¥(1,368)	¥2,588	¥60,575	¥223	¥60,798
Profit for the year	–	–	–	5,100	–	–	5,100	36	5,136
Other comprehensive income	–	–	–	–	–	655	655	(15)	640
Total Comprehensive Income	–	–	–	5,100	–	655	5,755	21	5,776
Dividends (Note 26)	–	–	–	(1,329)	–	–	(1,329)	(9)	(1,338)
Purchase of treasury stock (Note 25)	–	–	–	–	(157)	–	(157)	–	(157)
Disposal of treasury stock (Note 25)	–	–	11	–	84	–	95	–	95
Changes in treasury stock associated with changes in interests in associates accounted for using equity method									
Share-based payments (Notes 25 and 34)	–	–	27	–	8	–	35	–	35
Transfer from other components of equity to retained earnings (Note 25)	–	–	–	291	–	(291)	–	–	–
Total Transactions with Owners	–	–	38	(1,038)	(65)	(291)	(1,356)	(9)	(1,365)
Balance at March 31, 2018	47,214	10,952	3,061	49,442	(1,433)	2,952	64,974	235	65,209
Profit for the year	**–**	**–**	**–**	**5,457**	**–**	**–**	**5,457**	**33**	**5,490**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,256)**	**(1,256)**	**10**	**(1,246)**
Total Comprehensive Income	**–**	**–**	**–**	**5,457**	**–**	**(1,256)**	**4,201**	**43**	**4,244**
Dividends (Note 26)	**–**	**–**	**–**	**(1,421)**	**–**	**–**	**(1,421)**	**(17)**	**(1,438)**
Purchase of treasury stock (Note 25)	**–**	**–**	**–**	**–**	**(3)**	**–**	**(3)**	**–**	**(3)**
Disposal of treasury stock (Note 25)	**–**	**–**	**14**	**–**	**85**	**–**	**99**	**–**	**99**
Changes in treasury stock associated with changes in interests in associates accounted for using equity method	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**	**–**	**(8)**
Share-based payments (Notes 25 and 34)	**–**	**–**	**18**	**–**	**12**	**–**	**30**	**–**	**30**
Transfer from other components of equity to retained earnings (Note 25)	**–**	**–**	**–**	**(330)**	**–**	**330**	**–**	**–**	**–**
Total Transactions with Owners	**–**	**–**	**32**	**(1,751)**	**86**	**330**	**(1,303)**	**(17)**	**(1,320)**
Balance at March 31, 2019	**47,214**	**¥10,952**	**¥3,093**	**¥53,148**	**¥(1,347)**	**¥2,026**	**¥67,872**	**¥261**	**¥68,133**

	Thousands of U.S. dollars (Note 4)							
	Equity attributable to owners of parent							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at March 31, 2018	$99,563	$27,823	$449,478	$(13,029)	$26,838	$590,673	$2,137	$592,810
Profit for the year	**–**	**–**	**49,610**	**–**	**–**	**49,610**	**304**	**49,914**
Other comprehensive income	**–**	**–**	**–**	**–**	**(11,422)**	**(11,422)**	**91**	**(11,331)**
Total Comprehensive Income	**–**	**–**	**49,610**	**–**	**(11,422)**	**38,188**	**395**	**38,583**
Dividends (Note 26)	**–**	**–**	**(12,924)**	**–**	**–**	**(12,924)**	**(158)**	**(13,082)**
Purchase of treasury stock (Note 25)	**–**	**–**	**–**	**(23)**	**–**	**(23)**	**–**	**(23)**
Disposal of treasury stock (Note 25)	**–**	**128**	**–**	**772**	**–**	**900**	**–**	**900**
Changes in treasury stock associated with changes in interests in associates accounted for using equity method	**–**	**–**	**–**	**(73)**	**–**	**(73)**	**–**	**(73)**
Share-based payments (Notes 25 and 34)	**–**	**164**	**–**	**111**	**–**	**275**	**–**	**275**
Transfer from other components of equity to retained earnings (Note 25)	**–**	**–**	**(3,002)**	**–**	**3,002**	**–**	**–**	**–**
Total Transactions with Owners	**–**	**292**	**(15,926)**	**787**	**3,002**	**(11,845)**	**(158)**	**(12,003)**
Balance at March 31, 2019	**$99,563**	**$28,115**	**$483,162**	**$(12,242)**	**$18,418**	**$617,016**	**$2,374**	**$619,390**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2019	2018	**2019**
Cash Flows from Operating Activities:			
Profit before income taxes	**¥ 7,167**	¥ 6,900	**$ 65,152**
Depreciation and amortization	**4,490**	4,353	**40,815**
Impairment losses	**166**	267	**1,512**
Interest and dividend income	**(302)**	(237)	**(2,741)**
Interest expenses	**118**	147	**1,068**
Share of profit of investments accounted for using equity method	**(905)**	(751)	**(8,229)**
Loss on sale and retirement of fixed assets	**281**	158	**2,557**
Increase in inventories	**(852)**	(1,304)	**(7,745)**
Increase in trade and other receivables	**(288)**	(1,015)	**(2,620)**
(Decrease) increase in trade and other payables	**(1,545)**	1,749	**(14,042)**
Increase (decrease) in net defined benefit liability	**224**	(759)	**2,040**
Increase in provisions	**315**	–	**2,864**
Other, net	**(870)**	1,004	**(7,913)**
Subtotal	**7,999**	10,512	**72,718**
Interest and dividends received	**701**	672	**6,374**
Interest paid	**(116)**	(153)	**(1,055)**
Income taxes paid	**(1,987)**	(1,860)	**(18,063)**
Income taxes refund	**6**	13	**50**
Net Cash Flows from Operating Activities	**6,603**	9,184	**60,024**
Cash Flows from Investing Activities:			
Payments into time deposits	**(441)**	(453)	**(4,010)**
Proceeds from withdrawal of time deposits	**432**	578	**3,931**
Purchase of property, plant and equipment	**(3,986)**	(4,478)	**(36,240)**
Proceeds from sale of property, plant and equipment	**29**	30	**266**
Purchase of intangible assets	**(568)**	(781)	**(5,168)**
Purchase of equity instruments	**(22)**	(21)	**(196)**
Proceeds from sale of equity instruments	**32**	136	**288**
Purchase of investments accounted for using equity method	**–**	(30)	**–**
Other, net	**(51)**	11	**(466)**
Net Cash Flows from Investing Activities	**(4,575)**	(5,008)	**(41,595)**
Cash Flows from Financing Activities:			
Net decrease in short-term borrowings (Note 33)	**–**	(207)	**–**
Proceeds from long-term borrowings (Note 33)	**–**	100	**–**
Repayments of long-term borrowings (Note 33)	**(1,773)**	(3,048)	**(16,115)**
Purchase of treasury stock	**(1)**	(155)	**(11)**
Proceeds from sale of treasury stock	**99**	95	**898**
Dividends paid to owners of parent (Note 26)	**(1,422)**	(1,329)	**(12,924)**
Dividends paid to non-controlling interests	**(17)**	(10)	**(158)**
Other, net (Note 33)	**(20)**	(34)	**(177)**
Net Cash Flows from Financing Activities	**(3,134)**	(4,588)	**(28,487)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**160**	(46)	**1,451**
Net Decrease in Cash and Cash Equivalents	**(947)**	(459)	**(8,607)**
Cash and Cash Equivalents at Beginning of Year	**18,477**	18,936	**167,972**
Cash and Cash Equivalents at End of Year (Note 8)	**¥ 17,530**	¥ 18,477	**$ 159,364**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries

1. Reporting Entity

Bando Chemical Industries, Ltd. (the "Company") is a corporation domiciled in Japan.

The Company's registered headquarter is at 6-6, Minatojima Minamimachi 4-chome, Chuo-ku, Kobe, Hyogo, Japan.

The Company's consolidated financial statements, with a reporting date of March 31, comprise the Company and its subsidiaries (collectively, the "Group") and the Company's interests in associates and joint ventures. The description of the Group's main business is described in 7. "Segment Information."

2. Basis of Presentation

(1) Compliance with IFRS and First-time Adoption

The Company meets the requirements for a "Specified Company" as provided in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance of Japan No. 28 of 1976)," and accordingly, pursuant to the provision of Article 93 of the Ordinance, the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by Mitsutaka Yoshii, President and Representative Director of the Company, on June 25, 2019.

These are the Group's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRSs is April 1, 2017, and the Group applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). (See "39. First-time Adoption of IFRS" for the impact of the transition to IFRSs on the financial position, operating results and cash flows as of April 1, 2017 and as of and for the year ended March 31, 2018)

Except for IFRSs that the Group has not early adopted and the exemptions permitted by the provisions of IFRS 1, accounting policies of the Group comply with IFRS in force as of March 31, 2019.

(2) Basis of Measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and net liabilities (assets) relating to retirement benefit plans described in "3. Summary of Significant Accounting Policies."

(3) Functional and Presentation Currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency. All amounts have been rounded to the nearest million yen, unless otherwise indicated.

3. Summary of Significant Accounting Policies

(1) Basis of Consolidation

(A) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is obtained when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All subsidiaries are included in the scope of consolidation from the date on which the Group acquires control until the date on which the Group loses control. Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Group.

Changes in the Group's ownership interests in subsidiaries without a loss of control are accounted for as equity transactions. When the Group loses control over subsidiaries, gains or losses resulting from loss of control are recognized in profit or loss.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as equity attributable to owners of parent.

The consolidated financial statements include financial statements of subsidiaries having different reporting dates from that of the parent company as it is practically impossible to change their reporting dates due to the legal requirements in countries or regions where they operate. The subsidiaries with different reporting dates are consolidated based on the provisional financial statements prepared as of the consolidated reporting date.

In preparation of the consolidated financial statements, all intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated.

(B) Associates and joint ventures

Associates are entities over which the Group has the ability to exercise significant influence over their financial and operational policies, but which are not controlled or jointly controlled by the Group. Joint ventures are based on a contractual arrangement whereby multiple parties including the Group agree to share control over material economic activities and the Group has rights to the net assets of the joint arrangement.

All investments in associates and joint ventures are accounted for using equity method from the date on which the Group obtains significant influence until the date on which the Group loses significant influence. The financial statements of associates and joint ventures are adjusted, if necessary, when their accounting policies differ from those of the Group.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains only if there is no evidence of impairment.

The consolidated financial statements include investments in associates having different reporting dates from that of the Company as it is practically impossible to change their reporting dates due to reasons including the relationship with other shareholders. Adjustments are made for the effects of significant transactions or events in the intervening period.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured at fair value on the date of acquisition. Acquisition-related costs are expensed as incurred. Non-controlling interests are identified separately from the Group's interests. The Group determines, on a transaction by transaction basis, whether to measure non-controlling interests in the acquiree at fair value or at the proportionate share of the fair value of the acquiree's identifiable net assets.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the net amount of identifiable assets and liabilities exceeds the acquisition cost due to bargain purchase, the excess is recognized in profit or loss.

Goodwill is not amortized but is reviewed for impairment annually or when there is an indication that goodwill may be impaired. The carrying amount of goodwill is measured at acquisition cost less accumulated impairment losses. Impairment losses are recognized in profit or loss and not reversed.

For the purpose of impairment testing, goodwill is allocated to each of the cash generating units, or groups of cash generating units, that is expected to benefit from the business combination.

(3) Foreign Currency Translation

(A) Foreign currency denominated transactions

The financial statements of Group companies are prepared in each company's functional currency.

Foreign currency denominated transactions are translated into the functional currency of each company using the exchange rate prevailing at the transaction date or a rate that approximates such rate.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the end of the reporting period. Exchange differences arising from translation or settlement are recognized in profit or loss, except those relating to financial assets measured at fair value through other comprehensive income and cash flow hedges, which are recognized in other comprehensive income.

(B) Foreign operations

Assets and liabilities of foreign operations are translated using the exchange rates at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period unless the exchange rates significantly fluctuate. Exchange differences arising from translating foreign operations' financial statements are recognized in other comprehensive income. The differences are included in other components of equity as "Exchange differences on translation of foreign operations."

(4) Financial Instruments

(A) Financial assets other than derivatives

(i) Classification

The Group classifies non-derivative financial assets as financial assets measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

a. Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they meet both of the following requirements:

- The financial asset is held within a business model whose objective is to hold the asset to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the outstanding principal amount.

b. Financial assets measured at FVTOCI

(a) Debt instruments measured at FVTOCI

Financial assets are classified as debt instruments measured at FVTOCI when they meet both of the following requirements:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the outstanding principal amount.

(b) Equity instruments measured at FVTOCI

Of financial assets other than those measured at amortized cost or debt instruments measured at FVTOCI, equity instruments for which an irrevocable election to present in other comprehensive income subsequent changes in the fair value is made at initial recognition are classified as measured at FVTOCI.

c. Financial assets measured at FVTPL

Financial assets other than those measured at amortized cost or FVTOCI are classified as measured at FVTPL.

However, the Group may make an irrevocable election to designate, at initial recognition, financial assets not measured at FVTPL as those measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(ii) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the date they arise. All other financial assets are initially recognized on the transaction date when the Group becomes a party to the financial assets. All financial assets, except for those classified at FVTPL, are initially measured at fair value plus eligible transaction costs.

(iii) Subsequent measurement

Financial assets are subsequently measured according to their classification as follows:

a. Financial assets measured at amortized cost

Measured at amortized cost using the effective interest method.

b. Financial assets measured at FVTOCI

(a) Debt instruments measured at FVTOCI

Changes in fair value are recognized in other comprehensive income until the financial assets are derecognized except for impairment gains and losses and foreign exchange gains and losses. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

(b) Equity instruments measured at FVTOCI

Changes in fair value are recognized in other comprehensive income. When the financial asset is derecognized or the fair value significantly declines, the cumulative gain or loss previously recognized in other comprehensive income is directly reclassified to retained earnings. Dividends from such financial assets are recognized in profit or loss.

c. Financial assets measured at fair value through profit or loss

Measured at FVTPL subsequently to initial recognition, with changes in fair value recognized in profit or loss.

(iv) Derecognition

Financial assets are derecognized when the contractual rights to its cash flows expire or are transferred, or substantially all risks and rewards of ownership are transferred.

(v) Impairment

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost.

a. Assessment of a significant increase in credit risk

The Group compares the risk of default of financial assets occurring as of the reporting date and the date of initial recognition to assess whether the credit risk of financial assets has significantly increased since initial recognition.

The Group determines whether credit risk has significantly increased at each reporting date based on the change in the risk of default occurring since initial recognition taking into account the following factors:

- Past-due information
- Deterioration in operating results of the borrower

b. Expected credit loss approach

Expected credit loss is the present value of the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. If the credit risk of the financial assets has significantly increased since initial recognition, loss allowance is measured at an amount equal to lifetime expected credit losses. If the credit risk has not significantly increased since initial recognition, loss allowance is measured at 12-month expected credit losses.

Notwithstanding the above, however, loss allowance for trade receivables that do not contain a significant financing component is measured at an amount equal to lifetime expected credit losses.

Loss allowance for financial assets is recognized in profit or loss. If there is an event that results in reduction of the loss allowance, the reversal of the loss allowance is recognized in profit or loss.

(B) Financial liabilities other than derivatives

(i) Classification

The Group classifies financial liabilities other than derivatives as financial liabilities measured at amortized cost.

(ii) Initial recognition and measurement

The Group initially recognizes debt securities issued by the Group on the issue date.

All other financial liabilities are initially recognized on the date of the transaction when the Group becomes party to the financial liabilities.

All financial liabilities are initially measured at fair value plus eligible transaction costs.

(iii) Subsequent measurement

Subsequent to initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method.

(iv) Derecognition

Financial liabilities are derecognized when they are extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires.

(C) Derivatives and hedge accounting

The Group uses derivatives including foreign currency forward contracts and interest rate swaps to hedge foreign currency risk and interest rate risk. There derivatives are initially measured at their fair value on the trade date and subsequently measured at fair value.

Changes in the fair value of the derivatives are recognized in profit or loss, except for those relating to the effective portion of the cash flow hedges, which are recognized in other comprehensive income.

(i) Hedge accounting requirements

At the inception of the hedging relationship, the Group formally designates and documents the hedging relationship to which the hedge accounting is applied and the Group's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the effectiveness of changes in fair value or cash flows of the hedging instrument in offsetting the exposure to changes in fair value or cash flows of the hedged item that is attributable to a particular risk being hedged. These hedges are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item, but the Group assesses its effectiveness on an ongoing basis to determine whether they have been highly effective during all reporting periods that the hedge is designated.

(ii) Accounting for qualifying hedging relationships

Hedge relationships that meet the hedge accounting requirements are accounted for as follows:

a. Fair value hedge

Changes in the fair value of the derivatives are recognized in profit or loss. Changes in the fair value of the hedged item that is attributable to a risk being hedged adjust the carrying amount of the hedged item and are recognized in profit or loss.

b. Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, and the ineffective portion is immediately recognized in profit or loss.

The amount related to the hedging instrument that has been accumulated in other comprehensive income is reclassified to profit or loss when a hedged transaction affects profit or loss. If a hedged transaction results in the recognition of a non-financial asset or non-financial liability, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of the non-financial asset or non-financial liability.

If a forecast transaction or firm commitment is no longer expected to occur, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss. If a hedging instrument expires or is sold, terminated without replacement or rollover into another hedging instrument or exercised, or if the hedge designation is revoked, the amount previously accumulated in other comprehensive income remains in equity until the forecast transaction or firm commitment occurs only if the hedged future cash flows are still expected to occur.

(D) Fair value of financial instruments

Fair value of financial instruments are determined using the information, such as market value, and valuation techniques including the market approach, the income approach and the cost approach.

Inputs used to measure fair value are categorized into the following three levels.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability

(5) Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term investments with insignificant risk of changes in value, with original maturities of three months or less from the date of acquisition that are readily convertible to cash.

(6) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost comprises purchase cost, processing cost and all other costs incurred in bringing the inventories to their present location and condition and is generally calculated by the gross average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to sell.

(7) Property, Plant and Equipment

Items of property, plant and equipment are measured using the cost model and stated at cost less any accumulated depreciation and accumulated impairment losses. The cost comprises costs directly attributable to the acquisition of the item, costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are recognized either as the carrying amounts of the item of property, plant and equipment acquired or as a separate item, only if it is probable that future economic benefits associated with the item will flow to the Group and the amount can be measured reliably. All other costs related to repair and maintenance are recognized in profit or loss as incurred.

Depreciable assets are depreciated using the straight-line method.

Estimated useful lives used to calculate depreciation are as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	5 to 12 years
Lease assets	Shorter of the lease term and the estimated useful life

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with any changes accounted for on a prospective basis as a change in accounting estimate.

(8) Goodwill and Intangible Assets

(a) Goodwill

Goodwill is recognized as the amount of consideration transferred, including the amount of all non-controlling interests of the acquired entity that are measured at the acquisition-date fair value, in excess of the net amount of identifiable assets acquired and liabilities assumed at the acquisition date.

Goodwill is measured at cost less any accumulated impairment losses, and not amortized but generally tested for impairment at least annually.

(b) Intangible Assets

Intangible assets are measured by the cost model and stated at cost less any accumulated amortization and impairment losses.

Development cost is capitalized only if the Group can demonstrate all of the following requirements are satisfied:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- its intention to complete the intangible assets and use or sell them;
- its ability to use or sell the intangible assets;
- how the intangible assets will generate probable future economic benefits;
- the availability of adequate technical, financial and other resource to complete the development and to use or sell the intangible assets; and
- its ability to measure reliably the expenditure attributable to the intangible assets during their development.

After completion of the development activities, these developed assets are amortized from the time the mass production starts over the period during which the developed assets are expected to generate net cash inflows for the Group. Development costs that do not satisfy the above recognition criteria and expenditure incurred from research activities are expensed as incurred.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible assets, except for those with indefinite useful lives, are as follows:
Software: 5 years
Development costs: 5 years

The estimated useful lives and depreciation method of intangible assets with finite useful lives are reviewed at the end of each reporting period, with any changes accounted for on a prospective basis as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortized but tested for impairment.

(9) Leases

Leases are classified as finance leases if substantially all the risks and rewards incidental to ownership of the underlying assets are transferred to the lessee, and as operating leases in all other cases.

(a) Leases as a lessor

Lease income under operating leases is recognized as revenue over the lease term on a straight-line basis.

(b) Leases as a lessee

For finance leases, lease assets and lease liabilities are stated at the lower of the fair value of the lease property at the inception of the lease and the present value of minimum lease payments in the consolidated statement of financial position. Minimum lease payments are apportioned between the finance charge and the repayment of the outstanding lease obligation using the interest method, with the finance charge recognized in the consolidated statement of profit or loss. Lease assets are depreciated using the straight-line method over the shorter period of their estimated useful lives and the lease term.

Lease payments under operating leases are recognized as an expense in the consolidated statement of profit or loss using the straight-line method over the lease term.

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract in accordance with IFRIC 4 *Determining whether an arrangement contains a lease* even when the contract does not take the legal form of a lease.

(10) Impairment of Non-Financial Assets
The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or if annual impairment testing is required, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost of disposal and its value in use, and is determined for individual assets, unless the asset does not generate cash inflows largely independent of those from other assets or groups of assets. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the reduction is recognized as an impairment loss. The estimate of the future cash flows used in measuring value in use is discounted using the interest rate that reflects current market assessments of the time value of money and risks specific to the asset.

Intangible assets with an indefinite useful life or not yet available for use are not amortized but tested for impairment annually by comparing their estimated recoverable amount to their carrying amount.

Goodwill is also tested for impairment annually, and the carrying amount is cost net of accumulated impairment losses. Goodwill is allocated for the purpose of impairment testing to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination.

For assets other than goodwill, the Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of the asset. If the estimated recoverable amount of an asset is greater than the carrying amount, an impairment loss is reversed. The increased carrying amount attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized in profit or loss.

An impairment loss recognized for goodwill is not reversed in a subsequent period.

(11) Employee Benefits

(a) Post-retirement benefit

The Group has defined benefit pension plans and defined contribution pension plans.

(i) Defined benefit pension plans

The amount of obligation in respect of defined benefit pension plans is recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The present value of the defined benefit obligation is calculated annually using the projected unit credit method by a qualified actuary. The discount rate used in the calculation is determined by reference to market yields at the end of the reporting period on high quality corporate bonds having a term that is consistent with the estimated discount period which is based on the period until the future benefit payment date.

Remeasurement of net defined benefit liability or asset is recognized in OCI as incurred and immediately reclassified to retained earnings. Past service cost, net interest on net defined benefit liability (asset) and settlement gains or losses are recognized in profit or loss.

(ii) Defined contribution pension plans

Retirement benefits expense under defined contribution pension plans is recognized as an expense when contributions are paid.

(b) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and recognized as an expense when employees render the related service.

A liability is recognized for amounts expected to be paid if the Company has present legal or constructive obligation to pay this amount as a result of past service rendered by employees and the obligation can be estimated reliably.

(c) Other long-term employee benefits
The Group has a special vacation plan which is available according to certain service years as a long-term employee benefit in addition to a pension plan. The obligation for other long-term employee benefits is measured as the present value of the estimated future benefits that employees have earned in exchange for service rendered in the current and prior periods.

The discount rate is based on the market yields at the end of the reporting period on high quality corporate bonds having the same maturity as the Company's obligation.

(12) Share-based Payments
The Company has introduced the "Directors Compensation Board Incentive Plan ("BIP") Trust" as the Performance-based Stock Compensation Plan (the "Plan") for directors (excluding non-executive directors and overseas residents) and executive officers (collectively, "Directors, etc."), with the purpose of further clarifying the linkage between the remuneration of Directors, etc. and the value of the Company's shares and increasing their motivation to improve performance and increase the corporate value in the mid- to long-term.

The Plan is a performance-based stock compensation plan under which a trust purchases the Company's shares with the fund contributed by the Company and issues those shares to the Company's Directors, etc. based on their level of performance achievement. However, in principle, Directors, etc. can receive the Company's shares upon their retirement.

The consideration for the service rendered is measured by reference to the fair value of the Company's shares granted, and the measured consideration is recognized as an expense, with a corresponding increase in equity. The Company's shares remaining in trusts are deducted from equity.

(13) Provisions
The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of past events, it is probable that settlement of the obligation will be required, and the amount of obligation can be reliably estimated.

When the time value of money is material, the amount of provisions is measured by discounting the future cash outflows expected to be required to settle the obligation at the rate reflecting the time value of money and risks specific to the obligation to the present value. The increase in the amount of provisions due to passage of time is recognized as a finance charge.

(14) Equity
(a) Ordinary shares
For ordinary shares issued by the Company, the issue price is recorded in common stock and capital surplus.

(b) Treasury stock
Treasury stock is stated at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury stock. The difference between the carrying amount and consideration received on the sale is recognized in capital surplus.

(15) Revenue Recognition
The Group recognizes revenue in accordance with the following five-step approach except for interest and dividend income accounted for under IFRS 9 *Financial Instruments*.

Step 1: Identify the contract(s) 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 (or as) the entity satisfies a performance obligation

The main products offered by the Group are as follows: Automotive Parts Business sells automotive power transmission belt products and motorcycle power transmission belt products; Industrial Products Business sells industrial power transmission belt products, other power transmission belt products, conveyor belts, conveyor system products, and rice hulling rolls; and Advanced Elastomer Products Business sells cleaning blades, high-performance rollers, precision belts, polyurethane functional parts, precision polishing materials, films for construction materials, medical films, decorative display films, and industrial films. For these products, performance obligations are considered to be satisfied when a promised product is delivered to a customer, and therefore revenue is recognized at that point. Revenue is calculated as consideration promised in the contracts with customers less estimates of discounts, etc.

(16) Government Grants
Government grants are recognized at fair value when the Group satisfies all requirements attached to the grants and there is reasonable assurance that the Group will receive the grants.

Grants related to expenses are recognized in profit or loss in the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Grants related to acquisition of assets are recognized as deferred income and recognized in profit or loss on a systematic basis over the estimated useful life of the relevant asset.

There are no unperformed conditions or other contingent events related to the grants.

(17) Income Taxes
Income taxes comprise current tax expense and deferred tax expense and are recognized in profit or loss unless they are related to items recognized in OCI or equity.

Current tax expense is calculated using the tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period in countries where the Company and its subsidiaries operate and generate taxable income.

Deferred tax is recognized for temporary differences between the carrying amount of an asset or liability and its tax base. No deferred tax is recognized for the following temporally differences:

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)
- Deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that it is not probable that the temporary difference will reverse in the foreseeable future, or it is not probable that taxable income will be available against which the temporally difference can be utilized.
- Taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, estimated based on tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off the recognized amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

(18) Earnings per Share
Basic earnings per share (“EPS”) is calculated by dividing profit for the year attributable to owners of parent by the weighted average number of ordinary shares outstanding during the year adjusted for treasury stock.

4. U.S. Dollar Amounts

The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan. Such translation should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars.

The rate of ¥110.00 = U.S.$1.00, the approximate rate of exchange as at March 31, 2019, has been used for the purpose of such translation.

5. Use of Judgements and Estimates

The consolidated financial statements of the Group include estimates and assumptions made by management relating to measurement of income, expenses, assets and liabilities. These estimates and assumptions are based on best judgements by management considering historical data and various factors considered reasonable at the reporting date. However, actual results may differ from these estimates due to their nature.

Estimates and assumptions are reviewed by management on an ongoing basis. The effects of the review of the estimates and assumptions are recognized in the period of the review and future periods.

Estimates and assumptions that have material effects on the amounts recognized in the Group's consolidated financial statements are as follows:

- Useful lives of property, plant and equipment and intangible assets ("13. Property, Plant and Equipment" and "14. Goodwill and Intangible Assets")
- Impairment of non-financial assets ("14. Goodwill and Intangible Assets" and "15. Impairment of Non-Financial Assets")
- Recoverability of deferred tax assets ("17. Income Taxes")
- Measurement of defined benefit obligations ("21. Employee Benefits")
- Recognition and measurement of provisions ("23. Provisions")
- Fair value measurement of financial instruments ("35. Financial Instruments")

6. New Accounting Standards and Interpretations Issued but Not Yet Adopted by the Group

The following table lists the major new or amended accounting standards and interpretations issued prior to the date of authorization of the consolidated financial statements that are not yet early adopted by the Group as of March 31, 2019.

Standard	Title	Effective date (Fiscal year beginning on or after)	To be adopted by the Group	Description of new or amended standard
IFRS 16	Leases	January 1, 2019	Year ending March 31, 2020	Amended accounting treatment for leases

Changes to accounting policies and the expected impact on the consolidated financial statements due to applying IFRS 16 *Leases* are as follows:

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments.

In applying IFRS 16, the Group will apply the transition provisions and recognize the cumulative effect of initially applying the standard at the date of initial application. The impact on non-current assets, current liabilities and non-current liabilities in the consolidated financial statements estimated based on currently available information is approximately ¥2,000 million ($18,000 thousand), ¥900 million ($8,000 thousand) and ¥1,100 million ($10,000 thousand), respectively, and the impact on profit for the year is estimated to be insignificant.

7. Segment Information

(1) Description of reportable segments

The Group's reportable segments are components of the Company for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors in order to allocate resources and assess segment performance.

The Group comprises operating divisions based on products and services, and each operating division develops a comprehensive strategy for respective products and services for domestic and overseas markets and conducts business activities.

Therefore, the Group's business consists of three reportable segments categorized by product and service based on operating divisions of the parent company: "Automotive Parts Business," "Industrial Products Business," and "Advanced Elastomer Products Business."

Main products manufactured and sold by each segment are as follows:

Segment name	Main products
Automotive Parts Business	Automotive power transmission belt products (accessory drive power transmission belts and system products), motorcycle power transmission belt products (variable speed belts for scooters), etc.
Industrial Products Business	Industrial power transmission belt products (industrial machinery V-belts, toothed belts, pulleys, etc.), other power transmission products, conveyor belts (conveyor belts, resin conveyor belts, synchronous conveyor belts), conveyor system products, rice-hulling rolls, etc.
Advanced Elastomer Products Business	Cleaning blades, high-performance rollers, precision belts, polyurethane functional parts, precision polishing materials, films for construction materials, medical films, decorative display films, industrial films, etc.

(2) Information on revenue, profit or loss and other items by reportable segments

The accounting treatments applied to the reportable segments are consistent with those described in "3. Summary of Significant Accounting Policies." Intersegment sales are based on market prices.

Revenue, profit or loss and other items by reportable segments are as follows:

	Millions of yen						
	2019						
	Reportable segments						
	Automotive Parts	Industrial Products	Advanced Elastomer Products	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
Revenue							
External sales	¥ 41,616	¥ 34,703	¥ 15,228	¥ 91,546	¥ 2,772	¥ —	¥ 94,319
Intersegment sales	35	112	10	157	1,108	(1,265)	—
Total	¥ 41,650	¥ 34,815	¥ 15,237	¥ 91,703	¥ 3,881	¥ (1,265)	¥ 94,319
Segment profit (Core operating income)	¥ 3,182	¥ 1,960	¥ 799	¥ 5,941	¥ 531	¥ 31	¥ 6,503
Other income	—	—	—	—	—	—	328
Other expenses	—	—	—	—	—	—	(921)
Share of profit of investments accounted for using equity method	—	—	—	—	—	—	905
Operating income	—	—	—	—	—	—	6,815
Finance income	—	—	—	—	—	—	487
Finance costs	—	—	—	—	—	—	(136)
Profit before income taxes	—	—	—	—	—	—	7,166
Income taxes expense	—	—	—	—	—	—	(1,676)
Profit for the year	—	—	—	—	—	—	5,490
Other items:							
Depreciation and amortization	¥ 2,469	¥ 1,190	¥ 710	¥ 4,370	¥ 39	¥ 81	¥ 4,490
Increase in property, plant and equipment and intangible assets	¥ 2,369	¥ 1,002	¥ 710	¥ 4,081	¥ 65	¥ 560	¥ 4,706
Impairment losses (Note 4)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 166	¥ 166

	Millions of yen						
	2018						
	Reportable segments						
	Automotive Parts	Industrial Products	Advanced Elastomer Products	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
Revenue							
External sales	¥ 41,606	¥ 31,830	¥ 15,123	¥ 88,559	¥ 2,239	¥ —	¥ 90,798
Intersegment sales	84	88	37	210	495	(704)	—
Total	¥ 41,691	¥ 31,918	¥ 15,160	¥ 88,769	¥ 2,733	¥ (704)	¥ 90,798
Segment profit (Core operating income)	¥ 3,401	¥ 1,928	¥ 552	¥ 5,882	¥ 348	¥ 459	¥ 6,689
Other income	—	—	—	—	—	—	245
Other expenses	—	—	—	—	—	—	(528)
Share of profit of investments accounted for using equity method	—	—	—	—	—	—	750
Operating income	—	—	—	—	—	—	7,156
Finance income	—	—	—	—	—	—	275
Finance costs	—	—	—	—	—	—	(532)
Profit before income taxes	—	—	—	—	—	—	6,899
Income taxes expense	—	—	—	—	—	—	(1,763)
Profit for the year	—	—	—	—	—	—	5,136
Other items:							
Depreciation and amortization	¥ 2,044	¥ 1,508	¥ 705	¥ 4,257	¥ 78	¥ 17	¥ 4,353
Increase in property, plant and equipment and intangible assets	¥ 2,957	¥ 1,049	¥ 606	¥ 4,611	¥ 113	¥ 576	¥ 5,300
Impairment losses (Note 4)	¥ —	¥ —	¥ 267	¥ 267	¥ —	¥ —	¥ 267

	Thousands of U.S. dollars						
	2019						
	Reportable segments						
	Automotive Parts	Industrial Products	Advanced Elastomer Products	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
Revenue							
External sales	$ 378,325	$ 315,479	$ 138,434	$ 832,238	$ 25,204	$ —	$ 857,443
Intersegment sales	315	1,021	87	1,423	10,073	(11,496)	—
Total	$ 378,640	$ 316,500	$ 138,521	$ 833,661	$ 35,277	$ (11,496)	$ 857,443
Segment profit (Core operating income)	$ 28,928	$ 17,816	$ 7,268	$ 54,011	$ 4,823	$ 284	$ 59,119
Other income	—	—	—	—	—	—	2,980
Other expenses	—	—	—	—	—	—	(8,371)
Share of profit of investments accounted for using equity method	—	—	—	—	—	—	8,229
Operating income	—	—	—	—	—	—	61,957
Finance income	—	—	—	—	—	—	4,430
Finance costs	—	—	—	—	—	—	(1,235)
Profit before income taxes	—	—	—	—	—	—	65,152
Income taxes expense	—	—	—	—	—	—	(15,238)
Profit for the year	—	—	—	—	—	—	49,914
Other items:							
Depreciation and amortization	$ 22,449	$ 10,819	$ 6,456	$ 39,724	$ 359	$ 733	$ 40,815
Increase in property, plant and equipment and intangible assets	$ 21,541	$ 9,107	$ 6,456	$ 37,104	$ 592	$ 5,086	$ 42,783
Impairment losses (Note 4)	$ —	$ —	$ —	$ —	$ —	$ 1,512	$ 1,512

(Notes)

1. "Other" mainly includes robot-related devices and other businesses that are not included in any reportable segments.
2. "Adjustments" are as follows:
   (a) For the year ended March 31, 2019, adjustments of Segment profit of ¥31 million ($284 thousand) include ¥11 million ($98 thousand) of the elimination of intersegment transactions and ¥20 million ($186 thousand) of corporate expenses. For the year ended March 31, 2018, adjustments of Segment profit of ¥459 million include ¥12 million of the elimination of intersegment transactions and ¥447 million of corporate expenses. Corporate expenses represent differences between the estimated allocation of general administrative expenses and research and development costs to each reportable segment and the actual amount incurred.
   (b) Adjustments of Increase in property, plant and equipment and intangible assets of ¥560 million ($5,086 thousand) and ¥576 million for the years ended March 31, 2019 and 2018, respectively, are mainly related to fixed assets not belonging to any reportable segments.
3. The Group uses core operating income calculated as revenue less cost of sales and selling, general and administrative expenses as a key indicator for business management, and accordingly, segment profit is based on the core operating income.
4. See "15. Impairment of Non-Financial Assets" for impairment losses.

(3) Information on products and services

The disclosure is omitted as the relevant information is disclosed in the section of segment information.

(4) Geographic Information

(a) External sales

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥ 48,910	¥ 45,574	$ 444,635
Asia	26,222	25,857	238,384
China	8,728	8,983	79,342
Europe and other	10,459	10,384	95,082
Total	¥ 94,319	¥ 90,798	$ 857,443

(Note) Sales are classified into countries or regions based on customers' location.

(b) Non-current assets (excluding financial instruments, deferred tax assets, defined benefit asset and rights arising from insurance contracts)

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Japan	**¥ 22,942**	¥ 22,676	¥ 22,611	**$ 208,568**
Asia	**8,285**	8,689	8,064	**75,317**
China	**1,227**	1,210	1,142	**11,156**
Europe and other	**2,201**	2,302	2,690	**20,004**
Total	**¥ 34,655**	¥ 34,877	¥ 34,507	**$ 315,045**

Main countries or regions included in Asia, China, and Europe and other are as follows:

- Asia: Thailand, South Korea, India, Vietnam, Indonesia, etc.
- China: China, Hong Kong
- Europe and other: United States, Europe, Central and South America, Oceania, etc.

(5) Major customers

The disclosure is omitted as no single external customer accounts for more than 10% of revenue stated in the consolidated statement of profit or loss.

8. Cash and Cash Equivalents

"Cash and cash equivalents" consist of the following:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Cash and deposits	**¥ 18,001**	¥ 18,948	¥ 19,523	**$ 163,643**
Time deposits with maturities of over 3 months	**(471)**	(471)	(587)	**(4,279)**
Total	**¥ 17,530**	¥ 18,477	¥ 18,936	**$ 159,364**

The balance of cash and cash equivalents in the consolidated statements of financial position as of March 31, 2019 and 2018 and April 1, 2017 corresponds to that in the consolidated statement of cash flows.

9. Trade and Other Receivables

"Trade and other receivables" consist of the following:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Notes and trade receivables	**¥ 18,171**	¥ 18,435	¥ 18,720	**$ 165,193**
Electronically recorded monetary claims	**3,293**	2,835	1,789	**29,936**
Other receivables	**109**	101	254	**993**
Other	**213**	208	167	**1,936**
Loss allowance (Notes 1 and 2)	**(79)**	(86)	(94)	**(719)**
Total	**¥ 21,707**	¥ 21,493	¥ 20,836	**$ 197,339**

(Notes)

1. Trade and other receivables are presented net of loss allowance in the consolidated statements of financial position.
2. See "35. Financial Instruments" for credit risk management and fair value of "Trade and other receivables."

10. Inventories

"Inventories" consist of the following:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Merchandise and finished goods	**¥ 7,716**	¥ 7,427	¥ 6,807	**$ 70,148**
Work in process	**1,920**	1,700	1,503	**17,455**
Raw materials and supplies	**3,313**	3,080	2,640	**30,120**
Total	**¥ 12,949**	¥ 12,207	¥ 10,950	**$ 117,723**

The amounts of inventories recognized as cost of sales for the years ended March 31, 2019 and 2018 are ¥66,053 million ($600,481 thousand) and ¥63,020 million, respectively.

Loss on valuation of inventories of ¥411 million ($3,734 thousand) and ¥464 million is recognized for the years ended March 31, 2019 and 2018, respectively, as a result of evaluating inventories at their net realizable values.

In addition, reversal of loss on valuation of inventories of ¥169 million ($1,536 thousand) and ¥116 million is recorded for the years ended March 31, 2019 and 2018, respectively, due to an increase in net realizable value.

11. Other Financial Assets

(1) "Other financial assets" consist of the following:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Derivative assets	**¥ —**	¥ 9	¥ 15	**$ —**
Equity securities	**6,422**	7,625	6,953	**58,385**
Time deposits with maturities of over 3 months	**471**	471	587	**4,279**
Other	**576**	577	584	**5,237**
Total	**7,469**	8,682	8,139	**67,901**
Other financial assets – current	**471**	481	604	**4,286**
Other financial assets – non-current	**6,998**	8,201	7,535	**63,615**
Total	**¥ 7,469**	¥ 8,682	¥ 8,139	**$ 67,901**

(2) Financial assets measured at fair value through other comprehensive income

The Group holds shares of client companies for the purpose of business alliance and maintaining and strengthening stable and long-term relationship and designates those shares as financial assets measured at fair value through other comprehensive income.

Major issues and their fair values are as follows:

	Millions of yen			Thousands of U.S. dollars
Issue	**March 31, 2019**	March 31, 2018	April 1, 2017	**March 31, 2019**
JSR Corporation	**¥ 1,030**	¥ 1,436	¥ 1,127	**$ 9,363**
Sumitomo Mitsui Financial Group, Inc.	**487**	560	508	**4,424**
Noritz Corporation	**475**	529	581	**4,320**
Makita Corporation	**455**	614	460	**4,135**
SUZUKI MOTOR CORPORATION	**411**	481	388	**3,740**
OILES CORPORATION	**376**	482	437	**3,416**
Kobe Tochi Tatemono Co., Ltd.	**¥ 340**	¥ 304	¥ 304	**$ 3,092**

(3) Derecognition of financial assets measured at fair value through other comprehensive income
The Group reviews cross-shareholdings on a regular basis.

Fair values and cumulative gains or losses at the time of disposal are as follows:

Millions of yen				Thousands of U.S. dollars	
2019		2018		**2019**	
Fair value	Cumulative gains/losses	Fair value	Cumulative gains/losses	Fair value	Cumulative gains/losses
¥ 31	**¥ 16**	¥ 136	¥ 47	**$ 285**	**$ 142**

When financial assets measured at FVTOCI are derecognized, the cumulative gains or losses previously recognized in OCI are reclassified to retained earnings. The cumulative gains or losses reclassified from OCI to retained earnings (net of tax) were ¥10 million ($93 thousand) and ¥32 million for the years ended March 31, 2019 and 2018, respectively.

Details of dividend income are as follows:

Millions of yen				Thousands of U.S. dollars	
2019		2018		**2019**	
Investments derecognized during the year	Investments held as of March 31	Investments derecognized during the year	Investments held as of March 31	Investments derecognized during the year	Investments held as of March 31
¥ 0	**¥ 160**	¥ 2	¥ 144	**$ 3**	**$ 1,453**

12. Other Assets

"Other current assets" and "Other non-current assets" consist of the following:

(1) Other current assets

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Prepaid expenses	**¥ 480**	¥ 460	¥ 402	**$ 4,366**
Consumption taxes receivable	**139**	157	213	**1,264**
Other	**276**	216	197	**2,500**
Total	**¥ 895**	¥ 833	¥ 812	**$ 8,130**

(2) Other non-current assets

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Insurance funds	**¥ 377**	¥ 397	¥ 394	**$ 3,424**
Long-term prepaid expenses	**222**	223	274	**2,020**
Prepaid income taxes	**148**	111	—	**1,341**
Other	**2**	3	4	**21**
Total	**¥ 749**	¥ 734	¥ 672	**$ 6,806**

13. Property, Plant and Equipment

(1) Changes in cost, accumulated depreciation and impairment losses and carrying amount are as follows:

(a) Cost

	Millions of yen					
	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other (Note 1)	Total
April 1, 2017	¥ 28,804	¥ 57,647	¥ 5,877	¥ 1,285	¥ 13,692	¥ 107,305
Additions (Note 2)	198	440	—	3,640	364	4,642
Sales or disposals	(67)	(740)	—	(7)	(513)	(1,327)
Account transfer (Note 4)	400	2,085	—	(3,119)	657	23
Exchange differences	6	(84)	(19)	1	26	(70)
Other	11	(8)	—	(1)	(14)	(12)
March 31, 2018	29,352	59,340	5,858	1,799	14,212	110,561
Additions (Note 2)	70	318	—	3,487	328	4,203
Sales or disposals	(59)	(1,089)	—	—	(696)	(1,844)
Account transfer (Note 4)	903	2,025	—	(3,570)	622	(20)
Exchange differences	16	112	(39)	12	(4)	97
Other	—	30	—	(3)	21	48
March 31, 2019	**¥ 30,282**	**¥ 60,736**	**¥ 5,819**	**¥ 1,725**	**¥ 14,483**	**¥ 113,045**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other (Note 1)	Total
March 31, 2018	$ 266,836	$ 539,456	$ 53,257	$ 16,352	$ 129,197	$ 1,005,098
Additions (Note 2)	639	2,893	—	31,702	2,986	38,220
Sales or disposals	(534)	(9,902)	—	—	(6,328)	(16,764)
Account transfer (Note 4)	8,207	18,408	—	(32,452)	5,657	(180)
Exchange differences	142	1,014	(362)	114	(32)	876
Other	—	275	—	(31)	186	430
March 31, 2019	**$ 275,290**	**$ 552,144**	**$ 52,895**	**$ 15,685**	**$ 131,666**	**$ 1,027,680**

(b) Accumulated depreciation and impairment losses

	Millions of yen					
	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other (Note 1)	Total
April 1, 2017	¥ (18,094)	¥ (45,221)	¥ (38)	¥ (9)	¥ (11,455)	¥ (74,817)
Depreciation (Note 3)	(923)	(2,191)	—	—	(886)	(4,000)
Impairment losses (Notes 3, 5 and 6)	(85)	(125)	—	(4)	(0)	(214)
Sales or disposals	63	665	—	—	488	1,216
Account transfer (Note 4)	—	(9)	—	9	—	—
Exchange differences	(17)	32	—	—	(12)	3
Other	(1)	1	—	—	14	14
March 31, 2018	(19,057)	(46,848)	(38)	(4)	(11,851)	(77,798)
Depreciation (Note 3)	(923)	(2,341)	—	—	(881)	(4,145)
Sales or disposals	52	900	—	—	641	1,593
Exchange differences	(13)	(74)	—	—	0	(87)
Other	—	(4)	—	4	(11)	(11)
March 31, 2019	**¥ (19,941)**	**¥ (48,367)**	**¥ (38)**	**¥ —**	**¥ (12,102)**	**¥ (80,448)**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other (Note 1)	Total
March 31, 2018	$ (173,248)	$ (425,895)	$ (344)	$ (36)	$ (107,736)	$ (707,259)
Depreciation (Note 3)	(8,393)	(21,280)	—	—	(8,014)	(37,687)
Sales or disposals	473	8,184	—	—	5,823	14,480
Exchange differences	(110)	(671)	—	—	9	(772)
Other	—	(37)	—	36	(103)	(104)
March 31, 2019	**$ (181,278)**	**$ (439,699)**	**$ (344)**	**$ —**	**$ (110,021)**	**$ (731,342)**

(c) Carrying amount

	Millions of yen					
	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other (Note 1)	Total
April 1, 2017	¥ 10,710	¥ 12,426	¥ 5,839	¥ 1,276	¥ 2,237	¥ 32,488
March 31, 2018	10,295	12,492	5,820	1,795	2,360	32,762
March 31, 2019	**¥ 10,341**	**¥ 12,369**	**¥ 5,781**	**¥ 1,725**	**¥ 2,381**	**¥ 32,597**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
March 31, 2019	**$ 94,012**	**$ 112,445**	**$ 52,552**	**$ 15,685**	**$ 21,645**	**$ 296,339**

(Notes)
1. "Other" of Property, plant and equipment mainly comprises tools, fixtures and fittings.
2. No borrowing costs are included in cost.
3. Depreciation of Property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses," and impairment losses are included in "Other expenses" in the consolidated statement of profit or loss.
4. "Account transfer" represents mainly transfers from Construction in progress.
5. See "7. Segment Information" for impairment losses by segment.
6. See "15. Impairment of Non-Financial Assets" for impairment losses.

(2) Lease assets under finance lease

The carrying amount of lease assets under finance lease included in Property, plant and equipment are as follows:

	Millions of yen	
	Machinery and equipment	Other
April 1, 2017	¥ 34	¥ 61
March 31, 2018	39	50
March 31, 2019	**¥ 44**	**¥ 56**

	Thousands of U.S. dollars	
	Machinery and equipment	Other
March 31, 2019	**$ 404**	**$ 509**

14. Goodwill and Intangible Assets

(1) Changes in cost, accumulated amortization and impairment losses and carrying amount are as follows:

(a) Cost

	Millions of yen				
	Goodwill	Software	Development costs	Other	Total
April 1, 2017	¥ 75	¥ 6,334	¥ 321	¥ 97	¥ 6,827
Additions	—	452	—	—	452
Internal developments	—	—	206	—	206
Sales or disposals	—	(147)	(7)	—	(154)
Account transfer	—	(24)	—	—	(24)
Exchange differences	(1)	(3)	(2)	(1)	(7)
Other	—	(1)	—	—	(1)
March 31, 2018	74	6,611	518	96	7,299
Additions	—	382	—	—	382
Internal developments	—	—	120	—	120
Sales or disposals	—	(69)	—	(2)	(71)
Account transfer	—	20	—	0	20
Exchange differences	(1)	1	(5)	1	(4)
March 31, 2019	**¥ 73**	**¥ 6,945**	**¥ 633**	**¥ 95**	**¥ 7,746**

	Thousands of U.S. dollars				
	Goodwill	Software	Development costs	Other	Total
March 31, 2018	$ 674	$ 60,098	$ 4,713	$ 872	$ 66,357
Additions	—	3,472	—	—	3,472
Internal developments	—	—	1,091	—	1,091
Sales or disposals	—	(631)	—	(19)	(650)
Account transfer	—	180	—	0	180
Exchange differences	(12)	14	(46)	11	(33)
March 31, 2019	**$ 662**	**$ 63,133**	**$ 5,758**	**$ 864**	**$ 70,417**

(b) Accumulated amortization and impairment losses

	Millions of yen				
	Goodwill	Software	Development costs	Other	Total
April 1, 2017	¥ —	¥ (4,953)	¥ (108)	¥ (25)	¥ (5,086)
Amortization (Note 1)	—	(318)	(29)	(5)	(352)
Impairment losses (Notes 1, 2, and 3)	—	—	(53)	—	(53)
Sales or disposals	—	74	—	—	74
Exchange differences	—	5	1	0	6
March 31, 2018	—	(5,192)	(189)	(30)	(5,411)
Amortization (Note 1)	—	(303)	(36)	(6)	(345)
Impairment losses (Notes 1, 2 and 3)	—	(166)	—	—	(166)
Sales or disposals	—	9	—	0	9
Exchange differences	—	(2)	3	(0)	1
March 31, 2019	**¥ —**	**¥ (5,654)**	**¥ (222)**	**¥ (36)**	**¥ (5,912)**

	Thousands of U.S. dollars				
	Goodwill	Software	Development costs	Other	Total
March 31, 2018	$ —	$ (47,205)	$ (1,715)	$ (275)	$ (49,195)
Amortization (Note 1)	—	(2,747)	(332)	(50)	(3,129)
Impairment losses (Notes 1, 2 and 3)	—	(1,512)	—	—	(1,512)
Sales or disposals	—	81	—	1	82
Exchange differences	—	(14)	28	(3)	11
March 31, 2019	**$ —**	**$ (51,397)**	**$ (2,019)**	**$ (327)**	**$ (53,743)**

(Notes)

1. Amortization of Intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses," and impairment losses are included in "Other expenses" in the consolidated statement of profit or loss.

2. See "7. Segment Information" for impairment losses by segment.
3. See "15. Impairment of Non-Financial Assets" for impairment losses.

(c) Carrying amount

	Millions of yen				
	Goodwill	Software	Development costs	Other	Total
April 1, 2017	¥ 75	¥ 1,380	¥ 214	¥ 72	¥ 1,741
March 31, 2018	74	1,418	330	66	1,888
March 31, 2019	**¥ 73**	**¥ 1,291**	**¥ 411**	**¥ 59**	**¥ 1,834**

	Thousands of U.S. dollars				
	Goodwill	Software	Development costs	Other	Total
March 31, 2019	**$ 662**	**$ 11,736**	**$ 3,739**	**$ 537**	**$ 16,674**

Research and development costs that do not meet the capitalization criteria are expensed as incurred. Research and development costs expensed for the years ended March 31, 2019 and 2018 are ¥1,287 million ($11,697 thousand) and ¥946 million, respectively.

(2) Lease assets under finance lease
The carrying amount of lease assets under finance lease included in intangible assets are as follows:

	Millions of yen
	Software
April 1, 2017	¥ 2
March 31, 2018	1
March 31, 2019	**¥ —**

(3) Impairment test of goodwill and intangible assets with indefinite useful lives
The carrying amount of goodwill and intangible assets with indefinite useful lives allocated to cash generating units are as follows:

	Millions of yen						Thousands of U.S. dollars	
	March 31, 2019		**March 31, 2019**		April 1, 2017		**March 31, 2019**	
	Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives
Bando Jungkong Ltd.	**¥ 73**	**¥ —**	¥ 74	¥ —	¥ 75	¥ —	**$ 662**	**$ —**
Other	**¥ —**	**¥ 46**	¥ —	¥ 47	¥ —	¥ 47	**$ —**	**$ 414**

The recoverable amount used in impairment test of goodwill is calculated based on value in use. Value in use is the present value of the projected future cash flows based on a business plan for a maximum period of five years which reflects past experience and information from external sources and is approved by management, discounted using the pre-tax weighted average cost of capital of the relevant cash-generating unit. The pre-tax discount rate used in the value in use calculation is 8.8%, 8.8% and 8.4% as of March 31, 2019 and 2018, and April 1, 2017, respectively.

Cash flow projections beyond the period covered by the business plan are estimated using a long-term average growth rate for the market to which the cash-generating unit belongs. The growth rate used to calculate the terminal value is 2.8%, 2.9% and 2.9% as of March 31, 2019 and 2018, and April 1, 2017, respectively.

Even if there is a change within a reasonable range in key assumptions used to calculate the recoverable amount as of March 31, 2019 and 2018, and April 1, 2017, the likelihood that such change would result in material impairment losses is considered to be remote as the recoverable amount of the cash-generating units materially exceeds their carrying amount.

There are no other material intangible assets with indefinite useful lives.

15. Impairment of Non-Financial Assets

For the purpose of measuring an impairment loss, assets are grouped into the smallest identifiable group of assets that generates cash inflows that are largely independent of other cash flows.

Impairment losses are recorded in "Other expenses" in the consolidated statements of income.

Impairment losses by asset type are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2019		2018		**2019**	
Property, plant and equipment:						
Buildings and structures	¥	—	¥	85	$	—
Machinery and equipment		—		125		—
Construction in progress		—		4		—
Other		—		0		—
Intangible assets						
Software		**166**		—		**1,512**
Development costs		—		53		—
Total	¥	**166**	¥	267	$	**1,512**

(Note) See "7. Segment Information" for impairment losses by segment.

For the year ended March 31, 2019, an impairment loss on software not belonging to any reportable segments was recognized as it became idle due to a change in plans, etc. The recoverable amount measured based on value in use is assessed to be zero as it is not certain whether the idle condition will be resolved and the recovery cannot be expected.

For the year ended March 31, 2018, an impairment loss on part of the production facility in the Advanced Elastomer Products Business was recognized as realization of profits originally expected was no longer probable. The recoverable amount is measured at fair value less cost to sell, and the land is appraised based on an index which is considered to appropriately reflect market prices. The fair value hierarchy is Level 3.

16. Disclosure of Involvement with Other Entities

(1) Material subsidiaries and associates

The table below summarizes material subsidiaries and associates of the Group.

Company name	Common stock	Principal business	Ownership ratio of voting rights (%)
Bando Industrial Components & Services, Ltd.	JPY 90 million	Processing and sales of power transmission belt products, conveyor belts, polyurethane functional parts, etc.	100
Bando USA, Inc.	USD 40,500 thousand	Manufacturing and sales of power transmission belt products, etc.	100
Bando (Shanghai) Management Co., Ltd.	USD 4,000 thousand	Product sales and sales management in China, supervision and support for group companies' administrative functions such as HR, Finance & Accounting, Information system, Logistics management, etc.	100
Bando Manufacturing (Vietnam) Co., Ltd.	USD 2,000 thousand	Manufacturing and sales of power transmission belt products, etc.	100
Bando Manufacturing (Thailand) Ltd.	THB 177,000 thousand	Manufacturing and sales of power transmission belt products	100
Bando (India) Pvt. Ltd.	INR 883 million	Manufacturing and sales of power transmission belt products, etc.	100
P.T. Bando Indonesia	USD 5,000 thousand	Manufacturing and sales of power transmission belt products, conveyor belts, etc.	50

(2) Investments accounted for using equity method

(a) Investments in associates

There are no individually material associates.

The carrying amount of the investments in associates that are not individually material and the Group's share are as follows:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Carrying amount of investments accounted for using equity method	**¥ 2,389**	¥ 2,231	¥ 2,006	**$ 21,719**

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
The Group's share of profit or loss	**¥ 211**	¥ 191	**$ 1,918**
The Group's share of other comprehensive income	**(103)**	74	**(932)**
The Group's share of total comprehensive income	**¥ 108**	¥ 265	**$ 986**

(b) Investments in joint ventures

The summarized financial information of joint ventures that are individually material to the Group, and the reconciliation of the share attributable to owners of parent to the carrying amount of the interest in the joint ventures are as follows:

			Proportion of ownership interest		
Name	Principal activity	Location	**March 31, 2019**	March 31, 2018	April 1, 2017
PT. Bando Indonesia	Manufacturing and sale of power transmission belt products, conveyor belts, etc.	Indonesia	**50.00%**	50.00%	50.00%

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Current assets	**¥ 5,238**	¥ 4,521	¥ 4,440	**$ 47,615**
Non-current assets	**2,866**	2,739	2,877	**26,059**
Current liabilities	**1,337**	1,239	1,554	**12,152**
Non-current liabilities	**1,611**	1,513	1,289	**14,648**
Total equity	**¥ 5,156**	¥ 4,507	¥ 4,474	**$ 46,874**

Cash and cash equivalents included in current assets above as of March 31, 2019 and 2018 and April 1, 2017 are ¥1,049 million ($9,539 thousand), ¥1,054 million and ¥1,240 million, respectively. Financial liabilities included in current liabilities (excluding trade and other payables and provisions) as of March 31, 2019 and 2018 and April 1, 2017 are ¥100 million ($910 thousand), ¥100 million and ¥101 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Revenue	**¥ 9,998**	¥ 9,179	**$ 90,892**
Depreciation and amortization	**(301)**	(322)	**(2,732)**
Interest income	**2**	2	**20**
Interest expenses	**(0)**	(0)	**(3)**
Income tax expense	**(373)**	(294)	**(3,395)**
Profit for the year	**1,092**	915	**9,929**
Other comprehensive income	**116**	(558)	**1,059**
Total comprehensive income	**1,208**	357	**10,988**
Dividends received by the Group	**¥ 280**	¥ 162	**$ 2,545**

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Total equity	**¥ 5,156**	¥ 4,507	¥ 4,474	**$ 46,874**
Proportion of ownership interest (%)	**50.00%**	50.00%	50.00%	**50.00%**
Share attributable to the Group	**¥ 2,578**	¥ 2,254	¥ 2,237	**$ 23,437**
Consolidation adjustments	**(34)**	(52)	(51)	**(312)**
Carrying amount of the investments	**¥ 2,544**	¥ 2,202	¥ 2,186	**$ 23,125**

The carrying amount and the summarized financial information of investments in joint ventures that are not individually material are as follows:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Carrying amount of investments accounted for using equity method	**¥ 1,424**	¥ 1,382	¥ 1,342	**$ 12,950**

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
The Group's share of profit or loss	**¥ 137**	¥ 105	**$ 1,247**
The Group's share of other comprehensive income	**(22)**	(17)	**(200)**
The Group's share of total comprehensive income	**¥ 115**	¥ 88	**$ 1,047**

17. Income Taxes

(1) Deferred tax

Major components and changes in "Deferred tax assets" and "Deferred tax liabilities" are as follows:

	Millions of yen			
	April 1, 2018	Recognized in profit or loss	Recognized in OCI	**March 31, 2019**
Deferred tax assets				
Defined benefit liability	¥ 1,582	¥ (85)	¥ 153	**¥ 1,650**
Property, plant and equipment	586	86	—	**672**
Inventories	369	(4)	—	**365**
Other temporary differences	993	113	—	**1,106**
Total	3,530	110	153	**3,793**
Deferred tax liabilities				
Defined benefit liability	(928)	—	—	**(928)**
Property, plant and equipment	(1,372)	(62)	—	**(1,434)**
Financial assets measured at FVTOCI	(1,286)	—	369	**(917)**
Other temporary differences	(521)	(7)	—	**(528)**
Total	¥ (4,107)	¥ (69)	¥ 369	**¥ (3,807)**
Net deferred tax assets (liabilities)	¥ (577)	¥ 43	¥ 522	**¥ (12)**

	Millions of yen			
	April 1, 2017	Recognized in profit or loss	Recognized in OCI	March 31, 2018
Deferred tax assets				
Defined benefit liability	¥ 1,794	¥ (82)	¥ (130)	¥ 1,582
Property, plant and equipment	731	(145)	—	586
Inventories	390	(21)	—	369
Other temporary differences	906	87	—	993
Total	3,821	(161)	(130)	3,530
Deferred tax liabilities				
Defined benefit liability	(928)	—	—	(928)
Property, plant and equipment	(1,479)	107	—	(1,372)
Financial assets measured at FVTOCI	(1,050)	—	(236)	(1,286)
Other temporary differences	(458)	(63)	—	(521)
Total	¥ (3,915)	¥ 44	¥ (236)	¥ (4,107)
Net deferred tax assets (liabilities)	¥ (93)	¥ (117)	¥ (367)	¥ (577)

	Thousands of U.S. dollars			
	April 1, 2018	Recognized in profit or loss	Recognized in OCI	**March 31, 2019**
Deferred tax assets				
Defined benefit liability	$ 14,385	$ (772)	$ 1,391	**$ 15,004**
Property, plant and equipment	5,327	785	—	**6,112**
Inventories	3,356	(35)	—	**3,321**
Other temporary differences	9,023	1,031	—	**10,054**
Total	32,091	1,009	1,391	**34,491**
Deferred tax liabilities				
Defined benefit liability	(8,436)	—	—	**(8,436)**
Property, plant and equipment	(12,470)	(560)	—	**(13,030)**
Financial assets measured at FVTOCI	(11,694)	—	3,359	**(8,335)**
Other temporary differences	(4,734)	(69)	—	**(4,803)**
Total	$ (37,334)	$ (629)	$ 3,359	**$ (34,604)**
Net deferred tax assets (liabilities)	$ (5,242)	$ 380	$ 4,750	**$ (112)**

(Note) The difference between the amounts recognized in profit or loss and deferred tax expense is due to fluctuations in exchange rates.

Unused tax losses carried forward and deductible temporary differences for which no deferred tax asset is recognized

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Unused tax losses carried forward (Note)	**¥ 620**	¥ 935	¥ 1,648	**$ 5,636**
Deductible temporary differences	**¥ 797**	¥ 841	¥ 584	**$ 7,248**

(Note) The amount and expiry date of unused tax losses for which no deferred tax asset is recognized are as follows:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Within:				
One year	**¥ —**	¥ —	¥ 3	**$ —**
Two years	**—**	—	26	**—**
Three years	**72**	—	19	**658**
Four years	**64**	47	—	**583**
Five years	**5**	142	51	**49**
Over five years	**479**	746	1,549	**4,346**
Total	**¥ 620**	¥ 935	¥ 1,648	**$ 5,636**

The taxable temporary differences associated with investments in the Group's subsidiaries and joint ventures, for which no deferred tax liability is recognized as of March 31, 2019 and 2018, and April 1, 2017 are ¥25,120 million ($228,367 thousand), ¥24,251 million and ¥23,079 million, respectively. This is because the Group is able to control the timing of the reversal of the temporary differences and it is certain that the temporary differences will not reverse in the foreseeable future.

(2) Income taxes

"Income taxes" consist of the followings:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Current tax expense			
Current	¥ **1,719**	¥ 1,645	$ **15,628**
Total current tax expense	**1,719**	1,645	**15,628**
Deferred tax expense			
Origination and reversal of temporary differences, etc.	**20**	(12)	**180**
Changes in tax rate	**(2)**	26	**(14)**
Write-down (reversal of a previous write-down) of deferred tax assets	**(61)**	104	**(556)**
Total deferred tax expense	**(43)**	118	**(390)**
Total income taxes	¥ **1,676**	¥ 1,763	$ **15,238**

Current tax expense includes the amount of the benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period, resulting in a reduction of current tax expense for the year ended March 31, 2019 by ¥146 million ($1,330 thousand).

Deferred tax expense includes the amount of the benefit arising from a previously unrecognized tax loss, tax credit or temporary difference of a prior period, resulting in an increase of deferred tax expense for the year ended March 31, 2019 by ¥62 million ($566 thousand).

Reconciliation of the statutory tax rate to the average effective income tax rate for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Statutory tax rate	**30.6%**	30.8%
(Reconciliation)		
Effect of different tax rates of foreign subsidiaries	**(4.2)**	(3.7)
Share of profit or loss of equity-accounted investments	**(3.9)**	(3.4)
Changes in realizability of deferred tax assets	**(1.1)**	0.0
Permanent differences	**1.4**	1.0
Tax credits	**(2.0)**	(1.2)
Foreign withholding tax	**1.6**	1.3
Other, net	**1.1**	0.8
Average effective income tax rate	**23.4%**	25.6%

The Group is subject mainly to income tax, inhabitant tax and enterprise tax, and the statutory tax rate calculated based on them is 30.6% and 30.8% for the years ended March 31, 2019 and 2018, respectively.

Overseas subsidiaries are subject to corporate tax, etc. of the jurisdiction where they are located.

"Act Partially Amending the Income Tax Act, etc." (Act No. 15 of 2016) was passed by the Diet on March 29, 2016, resulting in changes in income tax rates and local tax rates from the year beginning on or after April 1, 2016. Accordingly, the statutory tax rate was changed to 30.8% for the year beginning on April 1, 2017 and to 30.6% for the years beginning on or after April 1, 2018.

The Company and its domestic subsidiaries have applied the consolidated tax return filing system.

18. Trade and Other Payables

"Trade and other payables" consist of the following:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Notes and trade payables	**¥ 8,698**	¥ 10,001	¥ 9,287	**$ 79,075**
Electronically recorded obligations	**4,589**	4,585	3,569	**41,721**
Other payables	**3,363**	3,482	3,437	**30,571**
Total	**¥ 16,650**	¥ 18,068	¥ 16,293	**$ 151,367**

19. Bonds and Borrowings

(1) Bonds and borrowings

"Bonds and borrowings" consist of the following:

	Millions of yen			Thousands of U.S. dollars	Maturity (Note 1)	Average rate (Note 2)
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**	**March 31, 2019**	
Short-term borrowings	**¥ 1,178**	¥ 1,145	¥ 1,421	**$ 10,707**	**—**	**4.3%**
Current portion of long-term borrowings	**1,590**	1,776	3,078	**14,460**	**—**	**0.8%**
Long-term borrowings	**1,636**	3,227	4,914	**14,872**	**2020 – 2023**	**0.4%**
Bonds	**6,000**	6,000	6,000	**54,545**	**2022, 2024**	**0.3%**
Total	**10,404**	12,148	15,413	**94,584**		
Current liabilities	**2,768**	2,921	4,499	**25,167**		
Non-current liabilities	**7,636**	9,227	10,914	**69,417**		
Total	**¥ 10,404**	¥ 12,148	¥ 15,413	**$ 94,584**		

(Notes)

1. "Maturity" represents the year of maturity applicable to the outstanding balance of each borrowing as of March 31, 2019.
2. "Average rate" represents weighted average rates applicable to the outstanding balance of each borrowing as of March 31, 2019.
3. Borrowings shown above are not subject to any restrictions on capital including financial covenants.
4. Details of bonds as of March 31, 2019 and 2018 and April 1, 2017 are as follows:

Company name	Issue	Date of issue	Maturity	Interest rate	Millions of yen **March 31, 2019**	Millions of yen March 31, 2018	Millions of yen April 1, 2017	Thousands of U.S. dollars **March 31, 2019**
Bando Chemical Industries, Ltd.	2nd Series of Unsecured Bond	January 23, 2017	January 20, 2022	0.2%	**¥ 3,000**	¥ 3,000	¥ 3,000	**$ 27,273**
Bando Chemical Industries, Ltd.	3rd Series of Unsecured Bond	January 23, 2017	January 19, 2024	0.4%	**3,000**	3,000	3,000	**27,272**
Total					**6,000**	6,000	6,000	**54,545**
Current portion					**—**	—	—	**—**
Bonds excluding current portion					**¥ 6,000**	¥ 6,000	¥ 6,000	**$ 54,545**

(2) Collateral

There are no pledged assets or secured debt.

20. Leases

(1) Finance lease

Lessee

Future minimum lease payments under finance leases and their present value are as follows:

	Millions of yen						Thousands of U.S. dollars	
	Future minimum lease payments			Present value of future minimum lease payments			Future minimum lease payments	Present value of future minimum lease payments
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**	March 31, 2018	April 1, 2017	**March 31, 2019**	
Within one year	¥ **31**	¥ 28	¥ 34	¥ **31**	¥ 28	¥ 24	$ **278**	$ **278**
Between one and five years	**71**	59	68	**71**	58	67	**641**	**641**
Over five years	**1**	2	1	¥ **2**	¥ 2	¥ 0	**15**	$ **15**
Total	**103**	89	103				**934**	
Deduction: interest equivalent	**(1)**	(1)	(2)				**(5)**	
Present value of future minimum lease payments	¥ **102**	¥ 88	¥ 101				$ **929**	

(Note) Outstanding balance of lease obligations are included in "Other financial liabilities" in the consolidated statement of financial position.

(2) Operating lease

Lessee

(a) Non-cancelable operating leases

Details of future minimum lease payments under non-cancelable operating leases are as follows:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Within one year	¥ **482**	¥ 407	¥ 483	$ **4,378**
Between one and five years	**568**	423	461	**5,161**
Over five years	**4**	1	1	**41**
Total	¥ **1,054**	¥ 831	¥ 945	$ **9,580**

(Notes)

1. The Group leases real estate, office equipment, etc. classified as operating leases under IAS 17.
2. The contracts do not contain a renewal option, a purchase option, variable lease payments or escalation clauses, and there are no restrictions imposed by lease contracts such as additional loans or additional leases.

(b) Operating lease contracts recognized as expenses

Total minimum lease payments under operating lease contract recognized as expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Total minimum lease payments	¥ **958**	¥ 967	$ **8,711**

21. Employee Benefits

(1) Outline of retirement benefit plan

The company and some of its consolidated subsidiaries have defined contribution pension plans and defined benefit plans including corporate pension funds or employees' pension funds and lump-sum retirement payment plans. The Company also has set up a retirement benefit trust, and certain domestic consolidated subsidiaries have joined the Smaller Enterprise Retirement Payment Mutual Aid Scheme. In order to ensure payments of employee benefits in future years, trustees have been appointed for the management and administration of pension assets. Trustees are required by law to act in the best interest of the plan participants and responsible for managing the pension assets in accordance with the predetermined policy. The investment policy is reviewed as needed, taking into consideration the financial condition and investment environment of the defined benefit plans.

Plan assets are expected to be managed in a sound manner but subject to investment risk related to financial instruments. Also, because defined benefit obligations are measured based on various actuarial assumptions such as a discount rate, they are subject to the risk arising from changes in those assumptions. Corporate pension funds share risks between relevant domestic companies under common control.

The Company and some of its consolidated subsidiaries shifted their defined benefit corporate pension plans to risk-sharing corporate pension plans effective April 1, 2019. See "38. Subsequent Events" for details.

(2) Defined benefit plans

The amount of benefits under defined benefit pension plans is determined based on factors including years of service and salary.

(a) The amounts of defined benefit plans in the consolidated statement of financial position are as follows:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Present value of defined benefit obligations	**¥ 13,613**	¥ 13,245	¥ 12,900	**$ 123,756**
Fair value of plan assets	**(12,201)**	(12,058)	(10,731)	**(110,923)**
Total	**1,412**	1,187	2,169	**12,833**
Effect of asset ceiling	**211**	221	—	**1,921**
Net defined benefit liabilities or assets	**1,623**	1,408	2,169	**14,753**
Amounts in the consolidated statement of financial position				
Defined benefit liability	**1,624**	1,408	2,169	**14,762**
Defined benefit asset (other non-current assets)	**¥ 1**	¥ —	¥ 0	**$ 9**

(b) The amounts related to defined benefit plans recognized in the consolidated statement of profit or loss are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Current service cost	**¥ 679**	¥ 659	**$ 6,175**
Net interest cost	**13**	31	**121**
Other	**0**	0	**1**

(c) Changes in the present value of defined benefit obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1	¥ 13,245	¥ 12,900	$ 120,409
Current service cost	679	659	6,175
Net interest cost	76	97	688
Remeasurement			
Actuarial gain (loss) arising from changes in demographic assumptions	34	135	307
Actuarial gain (loss) arising from changes in financial assumptions	252	89	2,292
Other	100	96	916
Past service cost	0	0	1
Benefits paid from the plan	(752)	(725)	(6,839)
Exchange differences	(21)	(6)	(193)
Balance at March 31	¥ 13,613	¥ 13,245	$ 123,756

(d) Changes in the fair value of plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1	¥ 12,058	¥ 10,731	$ 109,618
Interest income (Note)	62	66	567
Remeasurement			
Return on plan assets (excluding amounts included in net interest cost)	(149)	1,006	(1,356)
Contributions from the employer	965	953	8,770
Benefits paid from the plan	(722)	(694)	(6,568)
Exchange differences	(12)	(4)	(108)
Balance at March 31	¥ 12,202	¥ 12,058	$ 110,923

(Note) Interest income is measured by multiplying the fair value of plan assets by the discount rate.

(e) Changes in the effect of the asset ceiling are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1	¥ 221	¥ —	$ 2,007
Remeasurement			
Changes in the effect of the asset ceiling	(10)	221	(86)
Balance at March 31	¥ 211	¥ 221	$ 1,921

(f) Major actuarial assumptions

	March 31, 2019	March 31, 2018	April 1, 2017
Discount rate	0.7%	0.6%	0.4%

(g) Components of plan assets

The components of the Group's plan assets as of March 31, 2019, 2018 and April 1, 2017 are as follows:

	Millions of yen					
	March 31, 2019		March 31, 2018		April 1, 2017	
	With quoted market price in active market	Without quoted market price in active market	With quoted market price in active market	Without quoted market price in active market	With quoted market price in active market	Without quoted market price in active market
Cash and cash equivalents	**¥ 802**	**¥ —**	¥ 664	¥ —	¥ 584	¥ —
Domestic equity securities	**3,010**	**—**	3,387	—	3,239	—
Foreign equity securities	**1,835**	**—**	1,644	—	1,399	—
Domestic debt securities	**3,782**	**—**	3,809	—	3,409	—
Foreign debt securities	**890**	**—**	868	—	779	—
Life insurance general accounts (Note)	**—**	**1,381**	—	1,304	—	1,118
Other	**—**	**501**	—	382	—	203
Total	**¥ 10,319**	**¥ 1,882**	¥ 10,372	¥ 1,686	¥ 9,410	¥ 1,321

	Thousands of U.S. dollars	
	March 31, 2019	
	With quoted market price in active market	Without quoted market price in active market
Cash and cash equivalents	**$ 7,291**	**$ —**
Domestic equity securities	**27,366**	**—**
Foreign equity securities	**16,681**	**—**
Domestic debt securities	**34,380**	**—**
Foreign debt securities	**8,095**	**—**
Life insurance general accounts (Note)	**—**	**12,557**
Other	**—**	**4,553**
Total	**$ 93,813**	**$ 17,110**

(Note) Life insurance general accounts are a product offered by a life insurance company which aggregates and manages personal insurance, corporate pension assets, etc. in one account and guarantees the principal and a certain rate of return, with investment risk borne by the insurance company.

(h) Sensitivity analysis of major actuarial assumptions

The effect of a change of 0.5% in the discount rate on the present value of the defined benefit obligation is as follows:

		Millions of yen			Thousands of U.S. dollars
		March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Discount rate	0.5% higher	**¥ (746)**	¥ (728)	¥ (748)	**$ (6,786)**
	0.5% lower	**¥ 829**	¥ 805	¥ 834	**$ 7,541**

The analysis assumes that all other variables remain constant.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(i) The funding rules and policy which affect future contributions
At the end of each fiscal year of the corporate pension fund, if the balance of reserves is below the amount of policy reserves less allowable deficit carried forward, the amount of premium will be recalculated.

If the balance of the corporate pension fund's reserves is below the minimum funding requirements at the end of each fiscal year, the employers of the member companies of the fund will pay the necessary amount of funds as a contribution. In the event that the balance of reserves is expected to be zero during a fiscal year, the employers will pay funds to be allocated to the expense required for the business related to the benefit payments during the year as a contribution.

(j) Contributions to plan assets
The consolidated companies are expected to pay contributions of ¥114 million ($1,038 thousand) to the defined benefit pension plans for the year ending March 31, 2020.

(k) Information on maturity analysis
The weighted average duration of the defined benefit plan obligation as of March 31, 2019 and 2018 and April 1, 2017 is 11.9 years, 11.9 years and 12.2 years, respectively.

(3) Defined contribution pension plans
The Group recognized as expenses contributions to the defined contribution pension plans of ¥192 million ($1,746 thousand) and ¥194 million for the years ended March 31, 2019 and 2018, respectively.

The above amount includes the amount recognized as an expense related to the public pension schemes.

22. Other Financial Liabilities

"Other financial liabilities" consist of the following:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Derivative liabilities (Note 1)	**¥ 8**	¥ 17	¥ 42	**$ 72**
Lease obligations (Note 2)	**102**	88	101	**929**
Other	**74**	66	58	**671**
Total	**184**	171	201	**1,672**
Other financial liabilities (current)	**38**	32	46	**347**
Other financial liabilities (non-current)	**146**	139	155	**1,325**
Total	**¥ 184**	¥ 171	¥ 201	**$ 1,672**

(Notes)

1. Derivative liabilities are classified as financial liabilities measured at FVTPL, and lease obligations are classified as financial liabilities measured at amortized cost.
2. See "20. Leases (1)" for information on lease obligations.

23. Provisions

Details and changes in "Provisions" are as follows:

Provision for product warranty

	Millions of yen	Thousands of U.S. dollars
April 1, 2017	¥ —	$ —
Provision	—	—
Intended use	—	—
Reversal	—	—
Exchange differences	—	—
March 31, 2018	—	—
Provision	315	2,864
Intended use	—	—
Reversal	—	—
Exchange differences	—	—
March 31, 2019	**¥ 315**	**$ 2,864**

Provisions for product warranty are provided for our share of the estimated cost to be incurred when our customers collect their products in which our products are used from the market. Most of these costs are expected to be incurred within one year.

24. Other Liabilities

"Other current liabilities" and "Other non-current liabilities" consist of the following:

(1) Other current liabilities

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Accrued expenses	**¥ 2,195**	¥ 2,358	¥ 2,248	**$ 19,953**
Liabilities for compensated absence	**906**	860	754	**8,235**
Deposits received from employees	**356**	353	341	**3,233**
Other	**452**	647	672	**4,106**
Total	**¥ 3,909**	¥ 4,218	¥ 4,015	**$ 35,527**

(2) Other non-current liabilities

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Other long-term employee benefit obligations	**¥ 181**	¥ 166	¥ 149	**$ 1,647**
Other	**135**	150	129	**1,234**
Total	**¥ 316**	¥ 316	¥ 278	**$ 2,881**

25. Equity and Other Equity Items

(1) Common stock and capital surplus

Changes in the number of authorized shares and issued shares, common stock and capital surplus are as follows:

	Number of shares		Millions of yen	
	Authorized shares	Issued shares	Common stock	Capital surplus
April 1, 2017	187,000,000	47,213,536	¥ 10,952	¥ 3,023
Changes during the year	—	—	—	38
March 31, 2018	187,000,000	47,213,536	10,952	3,061
Changes during the year	—	—	—	32
March 31, 2019	**187,000,000**	**47,213,536**	**¥ 10,952**	**¥ 3,093**

	Thousands of U.S. dollars	
	Common stock	Capital surplus
March 31, 2019	**$ 99,563**	**$ 28,115**

(Note) All shares issued by the Company are no-par value ordinary shares, and all issued shares are fully paid.

(2) Treasury stock

Changes in the number and amount of treasury stock are as follows:

	Shares	Millions of yen
April 1, 2017	1,386,131	¥ 1,368
Changes during the year	48,492	65
March 31, 2018	1,434,623	1,433
Changes during the year	(78,849)	(86)
March 31, 2019	**1,355,774**	**¥ 1,347**

	Thousands of U.S. dollars
March 31, 2019	**$ 12,242**

(Notes)

1. Increases in the number and amount of treasury stock during the year are mainly due to acquisition of shares less than one unit.
2. The number of treasury stock held by our subsidiaries and associates accounted for using equity method is 67,994 shares, 53,119 shares and 51,548 shares as of March 31, 2019 and 2018 and April 1, 2017, respectively.
3. The Company's shares owned by Employee Stock Ownership Plan ("ESOP") Trust and Directors Compensation Board Incentive Plan ("BIP") Trust are included in treasury stock.

(3) Other components of equity

Changes in "Other components of equity" are as follows:

	Millions of yen				
	Exchange differences on translation of foreign operations (Note 1)	Net changes in fair value of cash flow hedge	Net changes in fair value of financial assets measured at FVTOCI (Note 2)	Remeasurements of defined benefit plans (Note 3)	Total
April 1, 2017	¥ —	¥ 1	¥ 2,587	¥ —	¥ 2,588
Other comprehensive income	(143)	(1)	542	258	655
Reclassified to retained earnings	—	—	(33)	(258)	(291)
March 31, 2018	(143)	—	3,096	—	2,952
Other comprehensive income	(86)	—	(830)	(340)	(1,256)
Reclassified to retained earnings	—	—	(10)	340	330
March 31, 2019	**¥ (230)**	**¥ —**	**¥ 2,256**	**¥ —**	**¥ 2,026**

	Thousands of U.S. dollars				
	Exchange differences on translation of foreign operations (Note 1)	Net changes in fair value of cash flow hedge	Net changes in fair value of financial assets measured at FVTOCI (Note 2)	Remeasurements of defined benefit plans (Note 3)	Total
March 31, 2018	$ (1,306)	$ —	$ 28,144	$ —	$ 26,838
Other comprehensive income	(784)	—	(7,543)	(3,095)	(11,422)
Reclassified to retained earnings	—	—	(93)	3,095	3,002
March 31, 2019	**$ (2,090)**	**$ —**	**$ 20,508**	**$ —**	**$ 18,418**

(Notes)

1. Exchange differences on translation of foreign operations represent exchange differences arising from translating the financial statements of foreign operations denominated in a foreign currency for consolidation.
2. Net changes in fair value of financial assets measured at FVTOCI represent valuation differences on fair value of financial assets measured at fair value through other comprehensive income.
3. Remeasurements of defined benefit plans represent the impact of the difference between the assumptions used in actuarial calculation of "Net defined benefit liability" and the actual value, and of changes in actuarial assumptions.
   Remeasurements of defined benefit plans are recognized in "Other comprehensive income" when incurred and reclassified immediately from "Other components of equity" to "Retained earnings."

(4) Capital surplus and retained earnings

The Companies Act of Japan provides that at least 50% of the amount paid or contributed upon issuance of shares shall be included in common stock with the remainder to be included in capital reserve which is a component of capital surplus, and that 10% of the amount paid as distribution from surplus shall be appropriated and set aside as capital reserve or legal earnings reserve until the sum of capital reserve and legal earnings reserve equals 25% of common stock.

Capital surplus comprises mostly capital reserve, and there is no material change in capital surplus during the years ended March 31, 2019 and 2018.

26. Dividends

(1) Dividends paid

Date of resolution	Class of share	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders on June 22, 2017	Ordinary shares	¥ 651	¥ 14	March 31, 2017	June 23, 2017
Board of Directors meeting on November 10, 2017	Ordinary shares	696	15	September 30, 2017	December 1, 2017
General meeting of shareholders on June 21, 2018	Ordinary shares	696	15	March 31, 2018	June 22, 2018
Board of Directors meeting on November 9, 2018	Ordinary shares	¥ 742	¥ 16	September 30, 2018	December 3, 2018

Date of resolution	Class of share	Total dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollar)	Record date	Effective date
General meeting of shareholders on June 21, 2018	Ordinary shares	$ 6,325	$ 0.14	March 31, 2018	June 22, 2018
Board of Directors meeting on November 9, 2018	Ordinary shares	$ 6,747	$ 0.15	September 30, 2018	December 3, 2018

(Notes)

1. The total amount of dividends resolved at the ordinary general meeting of shareholders held on June 22, 2017 includes the dividends of ¥5 million and ¥4 million on the Company's shares owned by ESOP Trust and BIP Trust, respectively.
2. The total amount of dividends resolved at the Board of Directors meeting held on November 10, 2017 includes the dividends of ¥5 million and ¥4 million on the Company's shares owned by ESOP Trust and BIP Trust, respectively.
3. The total amount of dividends resolved at the ordinary general meeting of shareholders held on June 21, 2018 includes the dividends of ¥4 million ($38 thousand) on the Company's shares owned by ESOP Trust and BIP Trust, respectively.
4. The total amount of dividends resolved at the Board of Directors meeting held on November 9, 2018 includes the dividends of ¥3 million ($34 thousand) and ¥4 million ($38 thousand) on the Company's shares owned by ESOP Trust and BIP Trust, respectively.

(2) Dividends with the effective date in the following fiscal year

Date of resolution	Class of share	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders on June 25, 2019	Ordinary shares	¥ 742	¥ 16	March 31, 2019	June 26, 2019

Date of resolution	Class of share	Total dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollar)	Record date	Effective date
General meeting of shareholders on June 25, 2019	Ordinary shares	$ 6,747	$ 0.15	March 31, 2019	June 26, 2019

(Note) The total amount of dividends resolved at the ordinary general meeting of shareholders held on June 25, 2019 includes the dividends of ¥3 million ($34 thousand) and ¥4 million ($38 thousand) on the Company's shares owned by ESOP Trust and BIP Trust, respectively.

27. Revenue

(1) Disaggregation of revenue

The Group's revenue is generated mainly from contracts with customers, and revenue by reportable segment disaggregated into geographical regions is as follows:

	Millions of yen				
	2019				
	Japan	Asia	China	Europe and other	Total
Reportable segments					
Automotive Parts	¥ 14,138	¥ 19,640	¥ 2,973	¥ 4,865	¥ 41,616
Industrial Products	25,090	3,441	2,296	3,876	34,703
Advanced Elastomer Products	10,838	651	3,234	505	15,228
Subtotal	¥ 50,066	¥ 23,732	¥ 8,503	¥ 9,246	¥ 91,547
Other					¥ 2,772
Total					¥ 94,319

	Millions of yen				
	2018				
	Japan	Asia	China	Europe and other	Total
Reportable segments					
Automotive Parts	¥ 14,127	¥ 19,520	¥ 3,003	¥ 4,956	¥ 41,606
Industrial Products	22,689	3,303	2,137	3,701	31,830
Advanced Elastomer Products	10,396	703	3,543	481	15,123
Subtotal	¥ 47,212	¥ 23,526	¥ 8,683	¥ 9,138	¥ 88,559
Other					¥ 2,239
Total					¥ 90,798

	Thousands of U.S. dollars				
	2019				
	Japan	Asia	China	Europe and other	Total
Reportable segments					
Automotive Parts	$ 128,531	$ 178,549	$ 27,025	$ 44,220	$ 378,325
Industrial Products	228,089	31,283	20,872	35,235	315,479
Advanced Elastomer Products	98,531	5,917	29,398	4,588	138,434
Subtotal	$ 455,151	$ 215,749	$ 77,295	$ 84,043	$ 832,238
Other					$ 25,205
Total					$ 857,443

(Note) Revenue is based on the location of suppliers and presented net of intersegment transactions.

See "7. Segment Information" for main products included in each segment.

The performance obligation for these products is considered to be satisfied when a promised product is delivered to a customer, and revenue is recognized at that point. Revenue is calculated as consideration promised in the contracts with customers less estimates of discounts, etc. The payment conditions are those applied in arm's length transactions, and there are no material transactions with installment payments, etc.

(2) Contract balances

Liabilities arising from contracts with customers consist of the following:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Advances received	¥ 94	¥ 59	¥ 141	$ 851

Advances received as of April 1, 2017 were recognized as revenue for the year ended March 31, 2018, and those as of March 31, 2018 were recognized as revenue for the year ended March 31, 2019.

The amount of revenue recognized for the years ended March 31, 2019 and 2018 from performance obligations satisfied (or partially satisfied) in previous periods is insignificant.

Assets arising from contracts with customers are notes receivable, accounts receivable, and electronically recorded monetary claims only. See "9. Trade and Other Receivables" for details.

(3) Transaction price allocated to remaining performance obligations
As the Group does not have any material transactions that have an original expected duration of more than one year, the Group uses a practical expedient and omits a disclosure about the remaining performance obligations. Also, there is no material amount of consideration from contracts with customers that is not included in the transaction price.

(4) Assets recognized from costs to obtain or fulfill contracts with customers
The Group has no assets recognized from costs to obtain or fulfill contracts with customers.

28. Details of Expenses by Nature

Cost of sales and selling, general and administrative expenses consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Purchase of raw materials and merchandise	¥ **42,057**	¥ 39,741	$ **382,337**
Personnel expenses	**23,983**	23,632	**218,023**
Depreciation and amortization	**4,433**	4,274	**40,302**
Other	**17,343**	16,463	**157,662**
Total	¥ **87,816**	¥ 84,110	$ **798,324**

29. Other Income and Expenses

"Other income" and "Other expenses" consist of the following:

(1) Other income

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Gain on sales of fixed assets	¥ **22**	¥ 15	$ **206**
Insurance proceeds	**165**	83	**1,496**
Rent income	**35**	33	**318**
Other	**106**	114	**960**
Total	¥ **328**	¥ 245	$ **2,980**

(2) Other expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Loss on sale or retirement of fixed assets	¥ **304**	¥ 173	$ **2,762**
Impairment losses (Note 1)	**166**	267	**1,512**
Provision for product warranty (Note 2)	**315**	—	**2,864**
Other	**136**	88	**1,233**
Total	¥ **921**	¥ 528	$ **8,371**

(Notes)

1. See "15. Impairment of Non-Financial Assets" for impairment losses.
2. See "23. Provisions" for recognition of provision for product warranty.

30. Finance Income and Costs

"Finance income" and "Finance costs" consist of the following:

(1) Finance income

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Interest income			
Financial assets measured at amortized cost	¥ **141**	¥ 92	$ **1,285**
Dividend income			
Financial assets measured at FVTOCI	**160**	145	**1,456**
Foreign exchange gains	**166**	—	**1,510**
Other	**20**	38	**179**
Total	¥ **487**	¥ 275	$ **4,430**

(2) Finance costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Interest expenses			
Financial liabilities measured at amortized cost	¥ **118**	¥ 147	$ **1,068**
Defined benefit liability (Note)	**13**	31	**121**
Foreign exchange losses	**—**	340	**—**
Other	**5**	14	**46**
Total	¥ **136**	¥ 532	$ **1,235**

(Note) See "21. Employee Benefits" for interest on net defined benefit liability.

31. Other Comprehensive Income

The amount recognized and reclassified to profit or loss during the year and related tax effects for each item of "Other comprehensive income" are as follows:

	Millions of yen				
	2019				
	Recognized during the year	Reclassified to profit or loss	Before tax	Tax effect	After tax
Items that will not be reclassified to profit or loss					
Net changes in fair value of financial assets measured at FVTOCI	¥ **(1,199)**	¥ **—**	¥ **(1,199)**	¥ **370**	¥ **(829)**
Remeasurements of defined benefit plans	**(526)**	**—**	**(526)**	**153**	**(373)**
Share of OCI of investments accounted for using equity method	**43**	**—**	**43**	**(11)**	**32**
Total	**(1,682)**	**—**	**(1,682)**	**512**	**(1,170)**
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	**(96)**	**—**	**(96)**	**—**	**(96)**
Share of OCI of investments accounted for using equity method	**20**	**—**	**20**	**—**	**20**
Total	**(76)**	**—**	**(76)**	**—**	**(76)**
Total other comprehensive income	¥ **(1,758)**	¥ **—**	¥ **(1,758)**	¥ **512**	¥ **(1,246)**

	Millions of yen				
	2018				
	Recognized during the year	Reclassified to profit or loss	Before tax	Tax effect	After tax
Items that will not be reclassified to profit or loss					
Net changes in fair value of financial assets measured at FVTOCI	¥ 786	¥ —	¥ 786	¥ (251)	¥ 535
Remeasurements of defined benefit plans	464	—	464	(130)	334
Share of OCI of investments accounted for using equity method	(92)	—	(92)	22	(70)
Total	1,158	—	1,158	(359)	799
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	1	(1)	(0)	—	(0)
Net changes in fair value of cash flow hedge	—	(1)	(1)	0	(1)
Share of OCI of investments accounted for using equity method	(158)	—	(158)	—	(158)
Total	(157)	(2)	(159)	0	(159)
Total other comprehensive income	¥ 1,001	¥ (2)	¥ 999	¥ (359)	¥ 640

	Thousands of U.S. dollars				
	2019				
	Recognized during the year	Reclassified to profit or loss	Before tax	Tax effect	After tax
Items that will not be reclassified to profit or loss					
Net changes in fair value of financial assets measured at FVTOCI	**$ (10,897)**	**$ —**	**$ (10,897)**	**$ 3,363**	**$ (7,534)**
Remeasurements of defined benefit plans	**(4,783)**	**—**	**(4,783)**	**1,392**	**(3,391)**
Share of OCI of investments accounted for using equity method	**395**	**—**	**395**	**(108)**	**287**
Total	**(15,285)**	**—**	**(15,285)**	**4,647**	**(10,638)**
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	**(878)**	**—**	**(878)**	**—**	**(878)**
Share of OCI of investments accounted for using equity method	**185**	**—**	**185**	**—**	**185**
Total	**(693)**	**—**	**(693)**	**—**	**(693)**
Total other comprehensive income	**$ (15,978)**	**$ —**	**$ (15,978)**	**$ 4,647**	**$ (11,331)**

32. Earnings Per Share

(1) Basic earnings per share

Basic earnings per share are as follows:

	Yen		U.S. dollars
	2019	2018	**2019**
Basic earnings per share	**¥ 119.09**	¥ 111.39	**$ 1.08**

(2) Basis for computation of basic earnings per share

Basis for computation of basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Profit for the year attributable to owners of parent	**¥ 5,457**	¥ 5,100	**$ 49,610**

	Thousands of shares	
	2019	2018
Weighted average number of ordinary shares issued and outstanding	**45,824**	45,790

The disclosure of diluted earnings per share is omitted as there are no potentially dilutive shares.

33. Cash Flow Information

Changes in liabilities arising from financing activities are as follows:

	Millions of yen					
			Non-cash changes			
	April 1, 2018	Changes arising from cash flows	Foreign exchange gains/losses	Exchange differences on translation of foreign operations	Other	**March 31, 2019**
Short-term borrowings	¥ 1,145	¥ —	¥ —	¥ 33	¥ —	**¥ 1,178**
Long-term borrowings	5,003	(1,773)	—	(3)	—	**3,227**
Bonds	6,000	—	—	—	—	**6,000**
Lease obligations	¥ 88	¥ (33)	¥ —	¥ 1	¥ 46	**¥ 102**

	Millions of yen					
			Non-cash changes			
	April 1, 2017	Changes arising from cash flows	Foreign exchange gains/losses	Exchange differences on translation of foreign operations	Other	March 31, 2018
Short-term borrowings	¥ 1,421	¥ (207)	¥ —	¥ (69)	¥ —	¥ 1,145
Long-term borrowings	7,992	(2,948)	(27)	(14)	—	5,003
Bonds	6,000	—	—	—	—	6,000
Lease obligations	¥ 101	¥ (34)	¥ —	¥ (1)	¥ 22	¥ 88

	Thousands of U.S. dollars					
			Non-cash changes			
	April 1, 2018	Changes arising from cash flows	Foreign exchange gains/losses	Exchange differences on translation of foreign operations	Other	**March 31, 2019**
Short-term borrowings	$ 10,411	$ —	$ —	$ 296	$ —	**$ 10,707**
Long-term borrowings	45,479	(16,115)	—	(32)	—	**29,332**
Bonds	54,545	—	—	—	—	**54,545**
Lease obligations	$ 800	$ (296)	$ —	$ 11	$ 414	**$ 929**

34. Share-based Payments

The Company has equity-settled share-based compensation plans for directors (excluding non-executive directors and overseas residents) and executive officers (collectively, "Directors, etc.").

(Equity-settled share-based compensation plan)

The Company adopts a scheme called Board Incentive Plan ("BIP") Trust for Directors, etc. BIP Trust is an incentive plan for officers established based on a performance share plan and restricted stock plan in the United States under which the Company's shares acquired by BIP Trust are granted to Directors, etc. according to the achievement level of performance targets, etc. During the trust period, Directors, etc. will receive certain points according to the achievement level of performance targets for each year. Upon retirement, Directors, etc. who satisfy certain requirements for eligible beneficiaries will receive the Company's shares corresponding to the number of points which have been granted to the Directors, etc. The initial period covered by the Trust will be seven fiscal years from the year ending March 31, 2017 to the year ending March 31, 2023.

There is no exercise price as the Plan grants shares.

The amount of expenses recognized in relation to the Plan for the years ended March 31, 2019 and 2018 was ¥30 million ($275 thousand) and ¥35 million, respectively.

The weighted average fair value of points granted during the years ended March 31, 2019 and 2018 was ¥1,040 ($9.45) and ¥1,013, respectively. As the fair value of the granted points approximates the share price on the grant date, the fair value is based on the share price on the grant date.

	Points	
	2019	2018
Outstanding at April 1	**21,660**	—
Granted	**33,812**	29,160
Exercised	**(12,143)**	(7,500)
Outstanding at March 31	**43,329**	21,660
Exercisable at March 31	**—**	—

The number of remaining contractual life of the points is four years and three months and five years and three months as of March 31, 2019 and 2018, respectively.

35. Financial Instruments

(1) Capital management

The Group's capital management policy is to establish and maintain a stable financial base in order to achieve its objective to maximize the corporate value through sustainable growth.

Based on the policy, the Group monitors net interest-bearing liabilities, calculated as interest-bearing liabilities less cash and cash equivalents, and equity (attributable to owners of parent) for management purpose, and these values are as follows:

The balance of the Group's net interest-bearing liabilities and equity are as follows:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Interest-bearing liabilities	**¥ 10,404**	¥ 12,148	¥ 15,413	**$ 94,584**
Cash and cash equivalents	**(17,530)**	(18,477)	(18,936)	**(159,364)**
Net interest-bearing liabilities	**(7,126)**	(6,329)	(3,523)	**(64,780)**
Equity (attributable to owners of parent)	**67,872**	64,974	60,575	**617,016**

(Notes)

1. The Group is not subject to any material capital restrictions.
2. Interest-bearing liabilities are based on "Bonds and borrowings" stated in the consolidated statement of financial position.

(2) Financial risks

The Group is subject to various financial risks including credit risk, liquidity risk, and market risk (risk of fluctuations in exchange rates and interest rates), and therefore conducts risk management under certain policies in order to hedge or mitigate these risks.

The Group raises necessary funds according to the cash management plan developed as part of the annual management plan through stable and low-cost financing methods (mainly borrowings from banks or bond issues) and invests temporary surplus funds in financial assets with high level of liquidity and safety. The Group uses derivatives to hedge risks to the extent there are actual needs.

(a) Credit risk

The Group is subject to a risk that the financial assets owned by the Group become unrecoverable due to default by the counterparty of the assets (credit risk). In order to mitigate the risk, the Group monitors counterparties of trade receivables on a regular basis in coordination with the departments in charge of receivable collection and finance in accordance with the credit limit management rules. There is no material concentration of credit risk as the Group conducts business with large number of customers in various locations.

We also recognize that the credit risk associated with derivative transactions is low as the counterparties are limited to financial institutions with high credit ratings.

The carrying amount of the financial assets net of impairment loss presented in the consolidated statement of financial position is the Group's maximum exposure to credit risk relating to the financial assets as of the reporting date without taking into account any collateral held or other credit enhancements.

At each reporting date, the Group compares the risk of default of financial assets occurring as of the reporting date and the date of initial recognition to assess whether the credit risk of the financial assets has significantly increased since initial recognition. The assessment is based on the change in the risk of default occurring since initial recognition taking into account factors such as past-due information and deterioration in operating results of the debtor. The Group measures the loss allowance for the financial assets at an amount equal to lifetime expected credit losses if the credit risk of the financial assets has significantly increased since initial recognition, and at an amount equal to 12-month expected credit losses if the credit risk has not significantly increased since initial recognition. Notwithstanding the above, however, a loss allowance for expected credit losses on trade receivables that do not contain a significant financing component is measured at an amount equal to lifetime expected credit losses.

The Group assesses the recoverability of trade receivables, etc. based on the credit status of the counterparties and calculates the amount of loss allowance. A financial asset is considered credit-impaired when all or part of the asset cannot be recovered or its recovery is determined to be extremely difficult due to factors including a request of rescheduling from the debtor, severe financial difficulty of the debtor, or the commencement of legal proceedings due to the debtor's bankruptcy, etc. When there is no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the carrying amount of the financial asset is directly reduced, with corresponding decrease in loss allowance.

Expected credit losses are measured individually or in aggregate on the basis of shared credit risk characteristics that demonstrate debtors' ability. Expected credit losses on receivables whose credit risk has not significantly increased are calculated by multiplying the carrying amount by the historical credit loss rate of similar assets adjusted by forward-looking information such as future economic situation. Expected credit losses on receivables whose credit risk has significantly increased and credit-impaired financial assets are calculated as the difference between the present value of the estimated future cash flows discounted at the asset's original effective interest rate and the carrying amount.

Changes in loss allowance are as follows:

	Millions of yen			
		Lifetime expected credit losses		
	12-month ECL	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at lifetime ECL	Total
April 1, 2017	¥ 0	¥ 56	¥ 38	¥ 94
Provision	—	1	0	1
Intended use	—	(3)	—	(3)
Reversal	(0)	—	(3)	(3)
Exchange differences	—	(4)	1	(3)
March 31, 2018	0	50	36	86
Provision	—	13	3	16
Intended use	—	(1)	(14)	(15)
Reversal	(0)	—	(1)	(1)
Exchange differences	—	(7)	(0)	(7)
March 31, 2019	**¥ 0**	**¥ 55**	**¥ 24**	**¥ 79**

	Thousands of U.S. dollars			
		Lifetime expected credit losses		
	12-month ECL	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at lifetime ECL	Total
March 31, 2018	$ 2	$ 452	$ 336	$ 790
Provision	—	121	22	143
Intended use	—	(9)	(130)	(139)
Reversal	(2)	—	(7)	(9)
Exchange differences	—	(64)	(2)	(66)
March 31, 2019	**$ 0**	**$ 500**	**$ 219**	**$ 719**

Changes in financial assets subject to loss allowance are as follows:

	Millions of yen			
		Lifetime expected credit losses		
	12-month ECL	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at lifetime ECL	Total
April 1, 2017	¥ 838	¥ 56	¥ 20,453	¥ 21,347
Increase/decrease (recognition and derecognition)	(143)	(2)	840	695
Exchange differences	(2)	(4)	(73)	(79)
March 31, 2018	693	50	21,220	21,963
Increase/decrease (recognition and derecognition)	(9)	12	254	257
Exchange differences	(6)	(7)	(65)	(78)
March 31, 2019	**¥ 678**	**¥ 55**	**¥ 21,409**	**¥ 22,142**

	Thousands of U.S. dollars			
		Lifetime expected credit losses		
	12-month ECL	Credit-impaired financial assets	Financial assets for which loss allowance is always measured at lifetime ECL	Total
March 31, 2018	$ 6,301	$ 452	$ 192,908	$ 199,661
Increase/decrease (recognition and derecognition)	(87)	111	2,309	2,333
Exchange differences	(53)	(63)	(589)	(705)
March 31, 2019	**$ 6,161**	**$ 500**	**$ 194,628**	**$ 201,289**

The credit risk ratings of the financial assets for which loss allowance is always measured at lifetime ECL is generally the same as that of the financial assets for which loss allowance is measured at 12-month ECL. The credit risk ratings of financial assets within the same category are generally the same. There were no significant changes in the carrying amount in aggregate or significant transfers between categories that affected the changes in loss allowance during the year ended March 31, 2019.

(b) Liquidity risk

The Group finances working capital and capital expenditure through borrowings from financial institutions or bond issues, and therefore is subject to a risk of becoming unable to satisfy these obligations (liquidity risk). The Group manages this risk by using a cash management plan prepared and updated in a timely manner by the finance department and also by maintaining a certain level of liquidity on hand.

The maturity analysis of financial liabilities is as follows:

	Millions of yen							
	March 31, 2019							
	Carrying amounts	Contractual cash flows	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over five years
Trade and other payables	¥ **16,650**	¥ **16,650**	¥ **16,650**	¥ **—**	¥ **—**	¥ **—**	¥ **—**	¥ **—**
Bonds	**6,000**	**6,081**	**19**	**19**	**3,019**	**12**	**3,012**	**—**
Borrowings	**4,404**	**4,436**	**2,793**	**1,397**	**146**	**100**	**—**	**—**
Lease obligations	**102**	**103**	**30**	**23**	**19**	**10**	**19**	**2**
Derivative financial liabilities	**8**	**8**	**8**	**—**	**—**	**—**	**—**	**—**
Other	**74**	**74**	**—**	**2**	**51**	**—**	**—**	**21**
Total	¥ **27,238**	¥ **27,352**	¥ **19,500**	¥ **1,441**	¥ **3,235**	¥ **122**	¥ **3,031**	¥ **23**

	Millions of yen							
	March 31, 2018							
	Carrying amounts	Contractual cash flows	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over five years
Trade and other payables	¥ 18,068	¥ 18,068	¥ 18,068	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	6,000	6,101	20	19	19	3,019	12	3,012
Borrowings	6,148	6,245	2,968	1,634	1,397	146	100	—
Lease obligations	88	89	28	21	20	15	3	2
Derivative financial liabilities	17	17	10	7	—	—	—	—
Other	66	66	—	9	2	34	—	21
Total	¥ 30,387	¥ 30,586	¥ 21,094	¥ 1,690	¥ 1,438	¥ 3,214	¥ 115	¥ 3,035

	Millions of yen							
	April 1, 2017							
	Carrying amounts	Contractual cash flows	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over five years
Trade and other payables	¥ 16,293	¥ 16,293	¥ 16,293	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	6,000	6,120	20	19	19	19	3,019	3,024
Borrowings	9,413	9,527	4,559	1,823	1,602	1,397	46	100
Lease obligations	101	103	35	25	17	15	11	0
Derivative financial liabilities	42	42	24	11	7	—	—	—
Other	58	58	—	9	9	2	17	21
Total	¥ 31,907	¥ 32,143	¥ 20,931	¥ 1,887	¥ 1,654	¥ 1,433	¥ 3,093	¥ 3,145

	Thousands of U.S. dollars							
	March 31, 2019							
	Carrying amounts	Contractual cash flows	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over five years
Trade and other payables	**$ 151,367**	**$ 151,367**	**$ 151,367**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds	**54,545**	**55,287**	**174**	**175**	**27,447**	**109**	**27,382**	**—**
Borrowings	**40,039**	**40,324**	**25,387**	**12,699**	**1,327**	**911**	**—**	**—**
Lease obligations	**929**	**934**	**277**	**206**	**170**	**92**	**174**	**15**
Derivative financial liabilities	**72**	**72**	**72**	**—**	**—**	**—**	**—**	**—**
Other	**670**	**670**	**—**	**20**	**464**	**—**	**—**	**186**
Total	**$ 247,622**	**$ 248,654**	**$ 177,277**	**$ 13,100**	**$ 29,408**	**$ 1,112**	**$ 27,556**	**$ 201**

(c) Market risks

(i) Foreign currency risk

The Group develops global operations and engages in foreign currency denominated transactions for procurement of certain raw materials and product sales, and as a result, the Group is subject to foreign currency risk from foreign currency denominated receivables and payables arising from these transactions.

The Group uses foreign currency forward contracts, etc. to hedge foreign currency risk identified by currency and month for receivables and payables denominated in foreign currencies.

＜Foreign currency sensitivity analysis＞

The impact on profit before income taxes of a 1% strengthening of Japanese yen against U.S. dollar with respect to foreign currency denominated financial instruments held by the Group at the reporting date is as follows. The analysis assumes that all other variables remain constant.

The table below shows a sensitivity to foreign currency risk exposure excluding the effect of foreign currency forward contracts fixing the amount in Japanese yen. Exposures to exchange rate fluctuations with all currencies other than U.S. dollar are insignificant.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit before income taxes			
U.S. dollar	¥ (52)	¥ (61)	$ (472)

(ii) Price risk

The Group owns shares of client companies for the purpose of business alliance and maintaining and strengthening stable and long-term business relationship, and therefore is subject to equity price risk. The Group obtains information on fair values or financial condition of the client companies on a regular basis and reviews the sharing status taking into account the relationship with the client companies on an ongoing basis.

＜Equity price sensitivity analysis＞

The sensitivity analysis for the equity instruments held by the Group is as follows.

The sensitivity analysis shows the impact on other comprehensive income (before tax effect) of a 10% decrease in equity prices of the listed shares held at the reporting date. The analysis assumes that all other variables remain constant.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Impact on other comprehensive income	¥ (546)	¥ (671)	$ (4,967)

(iii) Interest rate risk

The Group finances working capital and capital expenditure through borrowings from financial institutions and bond issues. Most borrowings bear a fixed interest rate, but borrowings bearing a floating interest rate are affected by fluctuations in market interest rates and are subject to interest rate risk that future cash flows of interest fluctuate.

In order to curb the increase in interest payments for floating rate long-term borrowings due to a rise in interest rates, the Group generally uses interest rate swap contracts and interest rate and currency swap contracts to stabilize cash flows.

Accordingly, the impact of fluctuations in interest rate payments due to interest rate fluctuations is small and the interest rate risk is considered immaterial to the Group, and therefore the sensitivity analysis is omitted.

(3) Carrying amounts and fair values of financial instruments

(a) Fair value measurement

The Group determines fair values of major financial assets and liabilities as follows.

When quoted prices are available, the fair value of a financial instrument is measured using the quoted price.

When quoted prices are not available, the fair value of a financial instrument is measured using other appropriate valuation techniques including the multiples approach.

(Cash and cash equivalents, trade and other receivables, trade and other payables)

They are stated at their carrying amounts as they approximate their fair values due to their short-term maturities.

(Other financial assets, other financial liabilities)

The fair value of listed equity instruments are calculated based on prices on the exchange at the reporting date, and the fair value measurement is categorized within Level 1.

The fair value of unlisted equity instruments are calculated using the multiples approach or the net asset method, and the fair value measurement is categorized within Level 3.

In measuring the fair value of unlisted equity instruments, unobservable inputs such as valuation multiples are used.

The fair value of derivative transactions, etc., are calculated based on the prices provided by correspondent financial institutions, and the fair value measurement is categorized within Level 2.

The fair values of other financial assets and liabilities approximate their carrying amounts.

(Bonds and borrowings)
The fair value of bonds is calculated based on the market price of the bond, and the fair value measurement is categorized within Level 2.

The fair value of borrowings is calculated by discounting future cash flows at the interest rate applicable to similar borrowings, and the fair value measurement is categorized within Level 2.

(b) The carrying amounts and fair values of financial instruments measured at amortized cost
The financial instruments whose amortized costs and fair values are different are as follows:

	Millions of yen					
	March 31, 2019		March 31 2018		April 1, 2017	
	Carrying amounts	Fair values	Carrying amounts	Fair values	Carrying amounts	Fair values
Bonds and borrowings	**¥ 10,404**	**¥ 10,429**	¥ 12,148	¥ 12,154	¥ 15,413	¥ 15,445

	Thousands of U.S. dollars	
	March 31, 2019	
	Carrying amounts	Fair values
Bonds and borrowings	**$ 94,584**	**$ 94,805**

(Note)The disclosure is omitted for cash and cash equivalents, trade and other receivables, and trade and other payables as their carrying amounts approximate their fair values.

(c) Financial instruments measured at fair value and the hierarchy
The following table shows the analysis of financial instruments measured at fair value. Each level of the hierarchy is defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability

	Millions of yen			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at FVTPL				
Other financial assets	**¥ —**	**¥ 91**	**¥ 20**	**¥ 111**
Financial assets measured at FVTOCI				
Equity instruments	**5,464**	**—**	**962**	**6,426**
Total of financial assets	**5,464**	**91**	**982**	**6,537**
Financial liabilities				
Financial liabilities measured at FVTPL				
Derivatives	**—**	**8**	**—**	**8**
Total of financial liabilities	**¥ —**	**¥ 8**	**¥ —**	**¥ 8**

	Millions of yen							
	March 31, 2018							
	Level 1		Level 2		Level 3		Total	
Financial assets	¥		¥		¥		¥	
Financial assets measured at FVTPL								
Derivatives	¥	—	¥	9	¥	—	¥	9
Other financial assets		—		88		21		109
Financial assets measured at FVTOCI								
Equity instruments		6,710		—		918		7,628
Total of financial assets		6,710		97		939		7,746
Financial liabilities								
Financial liabilities measured at FVTPL								
Derivatives		—		17		—		17
Total of financial liabilities	¥	—	¥	17	¥	—	¥	17

	Millions of yen							
	April 1, 2017							
	Level 1		Level 2		Level 3		Total	
Financial assets								
Financial assets measured at FVTPL								
Derivatives	¥	—	¥	15	¥	—	¥	15
Other financial assets		—		84		20		104
Financial assets measured at FVTOCI								
Equity instruments		6,047		—		911		6,958
Derivatives		—		1		—		1
Total of financial assets		6,047		100		931		7,078
Financial liabilities								
Financial liabilities measured at FVTPL								
Derivatives		—		42		—		42
Total of financial liabilities	¥	—	¥	42	¥	—	¥	42

	Thousands of U.S. dollars							
	March 31, 2019							
	Level 1		Level 2		Level 3		Total	
Financial assets								
Financial assets measured at FVTPL								
Other financial assets	**$**	**—**	**$**	**827**	**$**	**180**	**$**	**1,007**
Financial assets measured at FVTOCI								
Equity instruments		**49,670**		**—**		**8,743**		**58,413**
Total of financial assets		**49,670**		**827**		**8,923**		**59,420**
Financial liabilities								
Financial liabilities measured at FVTPL								
Derivatives		**—**		**72**		**—**		**72**
Total of financial liabilities	**$**	**—**	**$**	**72**	**$**	**—**	**$**	**72**

Reconciliation of the financial instruments categorized within Level 3

A reconciliation of fair value measurement categorized within Level 3 from the opening balance to the closing balance is as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2019		March 31 2018		**March 31, 2019**	
	Financial instruments measured at FVTPL (Note 1)	Financial instruments measured at FVTOCI (Note 2)	Financial instruments measured at FVTPL (Note 1)	Financial instruments measured at FVTOCI (Note 2)	Financial instruments measured at FVTPL (Note 1)	Financial instruments measured at FVTOCI (Note 2)
Balance at April 1	¥ **21**	¥ **918**	¥ 20	¥ 911	$ **187**	$ **8,347**
Gains or losses						
Profit or loss	**(0)**	**—**	—	—	**(1)**	**—**
Other comprehensive income	**—**	**45**	—	8	**—**	**413**
Purchase	**—**	**1**	1	—	**—**	**0**
Disposal	**—**	**(2)**	—	(1)	**—**	**(17)**
Other	**(1)**	**0**	0	0	**(5)**	**0**
Balance at March 31	**20**	**962**	21	918	**180**	**8,743**
Changes in unrealized gains or losses recognized in profit or loss relating to assets held at the reporting date	¥ **(0)**	¥ **—**	¥ —	¥ —	$ **(1)**	$ **—**

(Notes)

1. Gains or losses recognized in profit or loss are included in "Finance income" or "Finance costs" in the consolidated statement of profit or loss.
2. Gains or losses recognized in other comprehensive income, net of tax effect, are included in "Net changes in fair value of financial assets measured at FVTOCI" in the consolidated statement of comprehensive income.
3. The fair value of financial instruments categorized within Level 3 is measured using the valuation technique determined by the finance department in accordance with the Group's valuation policy and procedures. The measurement results are approved by the person with appropriate authority.

(4) Derivatives

Main risks managed through the use of derivative transactions are foreign currency risk (mainly U.S. dollars and Euro) and interest rate risk. The Group uses foreign currency forward contracts, interest rate and currency swap contracts and interest rate swap contracts to mitigate foreign currency risk and interest rate risk.

Changes in fair value of derivatives designated as cash flow hedge are recognized in other comprehensive income and included in other components of equity, and reclassified to profit or loss when the hedged item is recognized in profit or loss.

Changes in fair value of derivatives to which the hedge accounting is not applied are recognized in profit or loss.

Details of derivative transactions to which the hedge accounting is not applied are as follows:

	Millions of yen								
	March 31, 2019			March 31, 2018			April 1, 2017		
	Contract amount	Of which, over one year	Fair value	Contract amount	Of which, over one year	Fair value	Contract amount	Of which, over one year	Fair value
Foreign currency forward contracts:									
Selling:									
U.S. Dollar	¥ **3**	¥ **—**	¥ **(0)**	¥ 138	¥ —	¥ 3	¥ 210	¥ —	¥ 2
Euro	**11**	**—**	**(0)**	230	—	6	121	—	(0)
Buying:									
Japanese yen	**32**	**—**	**(0)**	38	—	0	74	—	2
U.S. Dollar	**16**	**—**	**(0)**	3	—	0	8	—	(0)
Interest rate swap contracts:									
Receive floating/ pay fixed	¥ **1,500**	¥ **—**	¥ **(8)**	¥ 2,200	¥ 1,500	¥ (17)	¥ 4,900	¥ 2,200	(41)

	Thousands of U.S. dollars		
	March 31, 2019		
	Contract amount	Of which, over one year	Fair value
Foreign currency forward contracts:			
Selling:			
U.S. Dollar	**$ 27**	**$ —**	**$ (1)**
Euro	**97**	**—**	**(0)**
Buying:			
Japanese yen	**291**	**—**	**(2)**
U.S. Dollar	**141**	**—**	**(3)**
Interest rate swap contracts:			
Receive floating/ pay fixed	**$13,636**	**$ —**	**$ (69)**

Derivative transactions to which the hedge accounting is applied are as follows.

	Millions of yen								
	March 31, 2019			March 31, 2018			April 1, 2017		
	Contract amount	Of which, over one year	Fair value	Contract amount	Of which, over one year	Fair value	Contract amount	Of which, over one year	Fair value
Interest rate and currency swap contracts:									
Receive floating/ pay fixed									
Receive JPY/ Pay INR	**¥ —**	**¥ —**	**¥ —**	¥ —	¥ —	¥ —	¥ 80	¥ —	¥ 13
Receive USD/ Pay INR	**¥ —**	**¥ —**	**¥ —**	¥ —	¥ —	¥ —	¥ 176	¥ —	¥ (1)

	Thousands of U.S. dollars		
	March 31, 2019		
	Contract amount	Of which, over one year	Fair value
Interest rate and currency swap contracts:			
Receive floating/ pay fixed			
Receive JPY/ Pay INR	**$ —**	**$ —**	**$ —**
Receive USD/ Pay INR	**$ —**	**$ —**	**$ —**

36. Related Parties

(1) Related party transactions

The disclosure is omitted due to immateriality.

(2) Key management personnel compensation

Key management personnel compensation is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Short-term employee benefits	**¥ 149**	¥ 140	**$ 1,358**
Share-based payments	**19**	18	**170**
Total	**¥ 168**	¥ 158	**$ 1,528**

37. Commitment

Contractual commitments for the acquisition of property, plant and equipment and intangible assets are as follows:

	Millions of yen			Thousands of U.S. dollars
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**
Property, plant and equipment and intangible assets	**¥ 308**	¥ 470	¥ 428	**$ 2,802**

38. Subsequent Events

(1) Business combination through acquisition

The Company entered into a share sales and purchase agreement to acquire all shares of Aimedic MMT Co., Ltd. ("Aimedic MMT") on April 5, 2019, and acquired all shares and made the company its subsidiary on May 8, 2019.

(a) Overview of business combination

(i) Name and description of the acquiree

Name of the acquiree: Aimedic MMT Co., Ltd.

Business description: Manufacturing, sales and after-sales service of orthopedic medical device

(ii) Primary reasons for the business combination

The Group positions the period from 2018 through 2022 as the second stage of its mid-to-long term business plan "Breakthroughs for the future" and sets "new business creation" as one of its guidelines, with an aim to be a standout global supplier.

As one of the pillars for new businesses, the Group has worked to establish a solid medical and healthcare equipment business using the elastic strain sensor "C-STRETCH™."

Our decision to acquire shares of Aimedic MMT is based on the fact that the company has a strong brand appeal and sales capabilities in the orthopedic medical device sector and we can expect the acquisition enables the Group to obtain a medical business system all at once and accelerate the commercialization of "C-STRETCH™" as a medical equipment.

(iii) Name of the counterparties of the share acquisition

Polaris Private Equity Fund III, L.P.

Tiara CG Private Equity Fund 2013, L.P.

(iv) Acquisition date of the business combination

May 8, 2019

(v) Legal form of the business combination

Share acquisition

(vi) Name of the company after the business combination

No change

(vii) Percentage of voting rights acquired

100%

(viii) Primary basis for identifying the acquirer

As the Company acquired shares for cash consideration.

(b) Acquisition price of the acquiree and the detail of consideration by class

Consideration for the acquisition: Cash ¥10,450 million ($95,000 thousand)

(c) Description and amount of major acquisition-related costs

Advisory fee, etc.: ¥109 million ($994 thousand)

(d) Amount and factors that make up the goodwill
Not determined at this point.

(e) Fair value of identifiable assets acquired and liabilities assumed at the acquisition date and its major components
Not determined at this point.

(2) Conclusion and execution of a commitment line contract
The Company entered into a commitment line agreement with the terms described below on April 8, 2019 to finance the acquisition of all shares of Aimedic MMT and the refinancing of the company's existing borrowings, and drew down ¥15,700 million ($14,727 thousand) on May 7, 2019.

Terms of the contract

(a) Lender	Mizuho Bank, Ltd.
(b) Total commitment	¥15,700 million ($14,727 thousand)
(c) Contract date	April 8, 2019
(d) Commitment line period	From April 15, 2019 to April 14, 2020
(e) Interest rate	Base rate + spread
(f) Collateral	Unsecured

Details of borrowings performed

(a) Amount of drawdown	¥15,700 million ($14,727 thousand)
(b) Drawdown date	May 7, 2019
(c) Payment date	August 7, 2019

(3) Amendment of retirement benefit plan
The Company and some of its consolidated subsidiaries shifted their defined benefit corporate pension plans to risk-sharing corporate pension plans effective April 1, 2019. Under the plan, employers and plan participants share risks in such a way that employers assume a certain risk by making fixed contributions including the portion corresponding to the risk while plan participants also assume a certain risk in the form of benefit adjustments in case the fiscal balance is lost. Under the current defined benefit corporate pension plans, when there is a deficit, employers are required to make additional contributions. Under the risk-sharing corporate pension plans, however, employers only need to make level contribution payments within a range specified by the employee-management agreement based on the possible future risk measured in advance, which allows more stable plan management.

For the purpose of accounting for retirement benefits, a risk-sharing corporate pension plan under which the entity is not subject to additional contribution obligations is classified as a defined contribution pension plan. The risk-sharing corporate pension plans to which the Company and its subsidiaries shifted do not subject the Company and its consolidated subsidiaries to additional contribution obligations and therefore are classified as a defined contribution pension plan. Accordingly, at the time of the plan shift, the reversal of net defined benefit liability attributable to the shifted portion and the retirement benefit trust assets returned to the Group are recorded, and also a special contribution payment set forth in the fund rules is accrued, with any differences between them recognized in profit or loss.

As a result, loss on termination of retirement benefit plans of ¥447 million ($ 4,068 thousand) will be recorded in "Other expenses" for the three months ended June 30, 2019. Also, cash and cash equivalents, other financial assets and other current liabilities and other non-current liabilities will increase by ¥155 million ($ 1,405 thousand), ¥1,356 million ($ 12,325 thousand), and ¥2,926 million ($ 26,600 thousand), respectively, and net defined benefit liability will decrease by ¥968 million ($ 8,800 thousand).

39. First-time Adoption of IFRS

(1) Reporting of transition under IFRS

The Group applied IFRS to the consolidated financial statements for the year ended March 31, 2019. The latest consolidated financial statements prepared under the Japanese GAAP are for the year ended March 31, 2018, and the date of transition from Japanese GAAP to IFRS is April 1, 2017.

The accounting policies described in notes to the consolidated financial statements "3. Summary of Significant Accounting Policies" have been applied to the consolidated financial statements for the years ended March 31, 2019 and 2018 and the consolidated statement of financial position as of April 1, 2017.

IFRS 1 generally requires entities adopting IFRS for the first time to apply IFRS retrospectively but grants certain optional exemptions to full retrospective application. Accordingly, the Group elected the exemptions for the following items.

(a) Business combinations

The Group elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRSs.

(b) Exchange differences on translation of foreign operations

The Group deems the cumulative translation differences for all foreign operations at the date of transition to IFRSs to be zero.

(c) Deemed cost

The Group elected to use the fair value of certain items of property, plant and equipment at the date of transition to IFRSs as its deemed cost at that date.

(d) Financial instruments

The Group designated financial instruments recognized before the date of transition to IFRSs in accordance with IFRS 9 *Financial Instruments* on the basis of the facts and circumstances that existed at the date of transition to IFRSs.

(e) Share-based payments

The Group elected not to apply IFRS 2 *Share-based Payment* to share-based payment transactions that vested before the date of transition to IFRSs.

IFRS 1 prohibits retrospective application of IFRSs to "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," and "classification and measurement of financial assets." The Group applies IFRSs to these items prospectively from the date of transition to IFRSs.

In preparing the consolidated financial statements under IFRS, the Group has adjusted figures in the consolidated financial statements prepared under Japanese GAAP. The reconciliation required to disclose in the first year of applying IFRS is presented in "(2) Reconciliation of equity at the date of transition to IFRSs (April 1, 2017)" and thereafter.

Major impacts for the year ended March 31, 2019 are as follows:

(a) Accounting process for revisions to the retirement benefit pension plans.

As of April 1, 2019, the Company and certain of its consolidated subsidiaries have moved from defined contribution pension plans to risk sharing pension plans.

Japanese GAAP applies the Accounting Standards Board of Japan's "Practical Solution on Accounting for Risk Sharing Pension Plan," and the Company recorded losses associated with the transition as extraordinary losses for the fiscal year ended March 31, 2019. With IFRS, however, the Company plans to record such losses as other expenses for the first quarter of the fiscal year ending March 31, 2020.

Therefore, when comparing IFRS with Japanese GAAP, income before income taxes increased by ¥806 million

($7,336 thousand).

(b) Capitalization of research and development costs
With Japanese GAAP, all research and development costs were charged to income as incurred. With IFRS, however, research and development costs that fulfill capitalization conditions are recognized as intangible assets. Therefore, when comparing IFRS with Japanese GAAP, selling, general and administrative expenses in the consolidated statement of profit or loss decreased by ¥120 million ($1,091 thousand).

“Reclassification” in the reconciliation includes items that do not affect retained earnings nor other comprehensive income, and “Differences in recognition and measurement” includes items that affect retained earnings and other comprehensive income.

(2) Reconciliation of equity at the date of transition to IFRSs (April 1, 2017)

Japanese GAAP		Millions of yen			IFRS		
Account name	Amount	Change of reporting date or scope of equity method	Reclassification	Differences in recognition and measurement	Amount	Notes	Account name
Assets							Assets
Current Assets							Current Assets
Cash and cash equivalents	¥ 19,523	¥ —	¥ (587)	¥ —	¥ 18,936		Cash and cash equivalents
Trade and other receivables	18,824	—	2,156	(144)	20,836	G	Trade and other receivables
Electronically recorded monetary claims – operating	1,789	—	(1,789)	—	—		
Allowance for doubtful accounts	(39)	—	39	—	—		
Merchandise and finished goods	6,755	(2)	4,149	48	10,950	G	Inventories
Work in process	1,509	—	(1,509)	—	—		
Raw materials and supplies	2,640	—	(2,640)	—	—		
Deferred tax assets	551	0	(551)	—	—		
	—	—	20	—	20		Income taxes receivable
Other current assets	1,249	—	(645)	—	604		Other financial assets
	—	—	812	—	812		Other current assets
Total Current Assets	52,801	(2)	(545)	(96)	52,158		Total Current Assets
Non-current Assets							Non-current Assets
Property, plant and equipment	29,137	—	40	3,311	32,488	A	Property, plant and equipment
Goodwill	75	—	—	—	75	B	Goodwill
Software	793	—	666	207	1,666	C	Intangible assets
Other intangible assets	681	—	(681)	—	—		
Investments in securities	11,488	223	(6,183)	6	5,534		Investments accounted for using equity method
	—	—	6,767	768	7,535	D	Other financial assets
Deferred tax assets	404	(2)	551	(540)	413	H	Deferred tax assets
Net defined benefit assets	0	—	(0)	—	—		
Other investments	1,465	—	(768)	(25)	672		Other non-current assets
Allowance for doubtful accounts	(149)	—	149	—	—		
Total Non-current Assets	43,894	221	541	3,727	48,383		Total Non-current Assets
Total Assets	¥ 96,695	¥ 219	¥ (4)	¥ 3,631	¥ 100,541		Total Assets

Japanese GAAP Account name	Japanese GAAP Amount	Change of reporting date or scope of equity method	Reclassification	Differences in recognition and measurement	IFRS Amount	IFRS Notes	IFRS Account name
							Liabilities and Equity
Liabilities							Liabilities
Current Liabilities							Current Liabilities
Notes and accounts payable	¥ 9,259	¥ —	¥ 7,034	¥ —	¥ 16,293		Trade and other payables
Electronically recorded obligations − operating	3,407	—	(3,407)	—	—		
Short-term borrowings	4,499	—	—	—	4,499		Bonds and borrowings
Income taxes payable	1,065	—	(196)	—	869		Income taxes payable
Provision for loss on liquidation of subsidiaries and associates	10	—	(10)	—	—		Provisions
Other current liabilities	6,533	—	(6,500)	13	46		Other financial liabilities
	—	—	3,085	930	4,015	F	Other current liabilities
Total Current Liabilities	24,773	—	6	943	25,722		Total Current Liabilities
Long-term Liabilities							Non-current Liabilities
Long-term debt	4,914	—	6,000	—	10,914		Bonds and borrowings
Bonds	6,000	—	(6,000)	—	—		
Allowance for stock-based compensation	29	—	—	(29)	—		
Net defined benefit liability	2,007	—	—	162	2,169	E	Net defined benefit liability
	—	—	34	471	505	H	Deferred tax liabilities
Other long-term liabilities	231	—	(121)	45	155		Other financial liabilities
	—	—	77	201	278		Other non-current liabilities
Total Long-term Liabilities	13,181	—	(10)	850	14,021		Total Non-current Liabilities
Total Liabilities	37,954	—	(4)	1,793	39,743		Total Liabilities
Net Assets							Equity
Common stock	10,952	—	—	—	10,952		Common stock
Capital surplus	2,996	—	—	27	3,023		Capital surplus
Retained earnings	45,922	319	—	(861)	45,380	J	Retained earnings
Treasury stock, at cost	(1,356)	(12)	—	—	(1,368)		Treasury stock, at cost
Accumulated other comprehensive income	7	(87)	—	2,668	2,588	E, I	Other components of equity
	58,521	220	—	1,834	60,575		Total Equity Attributable to Owners of Parent
Non-controlling interests	220	—	—	3	223		Non-controlling interests
Total Net Assets	58,741	220	—	1,837	60,798		Total Equity
Total Liabilities and Net Assets	¥ 96,695	¥ 220	¥ (4)	¥ 3,630	¥ 100,541		Total Liabilities and Equity

Millions of yen

(3) Reconciliation of equity as of March 31, 2018

Japanese GAAP				Millions of yen			IFRS		
Account name		Amount	Change of reporting date or scope of equity method	Reclassification	Differences in recognition and measurement		Amount	Notes	Account name
Assets									Assets
Current Assets									Current Assets
Cash and cash equivalents	¥	18,948	¥ —	¥ (471)	¥ —	¥	18,477		Cash and cash equivalents
Trade and other receivables		18,951	—	3,116	(574)		21,493	G	Trade and other receivables
Electronically recorded monetary claims – operating		2,835	—	(2,835)	—		—		
Allowance for doubtful accounts		(38)	—	38	—		—		
Merchandise and finished goods		7,100	(7)	4,789	325		12,207	G	Inventories
Work in process		1,709	—	(1,709)	—		—		
Raw materials and supplies		3,081	—	(3,081)	—		—		
Deferred tax assets		570	(0)	(570)	—		—		
		—	—	7	—		7		Income taxes receivable
Other current assets		1,181	—	(700)	—		481		Other financial assets
		—	—	833	—		833		Other current assets
Total Current Assets		54,337	(7)	(583)	(249)		53,498		Total Current Assets
Non-current Assets									Non-current Assets
Property, plant and equipment		29,409	—	35	3,318		32,762	A	Property, plant and equipment
Goodwill		64	—	—	10		74	B	Goodwill
Software		735	—	749	330		1,814	C	Intangible assets
Other intangible assets		765	—	(765)	—		—		
Investments in securities		12,442	211	(6,843)	5		5,815		Investments accounted for using equity method
		—	—	7,411	790		8,201	D	Other financial assets
Deferred tax assets		178	(2)	569	(396)		349	H	Deferred tax assets
Other investments		1,449	—	(716)	1		734		Other non-current assets
Allowance for doubtful accounts		(143)	—	143	—		—		
Total Non-current Assets		44,899	209	583	4,058		49,749		Total Non-current Assets
Total Assets	¥	99,236	¥ 202	¥ —	¥ 3,809	¥	103,247		Total Assets

Japanese GAAP Account name	Amount	Change of reporting date or scope of equity method	Reclassification	Differences in recognition and measurement	IFRS Amount	Notes	Account name
	Millions of yen						
							Liabilities and Equity
Liabilities							Liabilities
Current Liabilities							Current Liabilities
Notes and accounts payable	¥ 9,966	¥ —	¥ 8,102	¥ —	¥ 18,068		Trade and other payables
Electronically recorded obligations – operating	4,441	—	(4,441)	—	—		
Short-term borrowings	2,921	—	—	—	2,921		Bonds and borrowings
Income taxes payable	926	—	(143)	—	783		Income taxes payable
Provision for loss on liquidation of subsidiaries and associates	16	—	—	(16)	—		Provisions
Other current liabilities	6,773	—	(6,745)	4	32		Other financial liabilities
	—	—	3,227	991	4,218	F	Other current liabilities
Total Current Liabilities	25,043	—	—	979	26,022		Total Current Liabilities
Long-term Liabilities							Non-current Liabilities
Long-term debt	3,227	—	6,000	—	9,227		Bonds and borrowings
Bonds	6,000	—	(6,000)	—	—		
Allowance for stock-based compensation	40	—	—	(40)	—		
Net defined benefit liability	1,123	—	—	285	1,408	E	Net defined benefit liability
	—	—	274	652	926	H	Deferred tax liabilities
Other long-term liabilities	408	20	(335)	46	139		Other financial liabilities
	—	—	61	255	316		Other non-current liabilities
Total Long-term Liabilities	10,798	20	—	1,198	12,016		Total Non-current Liabilities
Total Liabilities	35,841	20	—	2,177	38,038		Total Liabilities
Net Assets							Equity
Common stock	10,952	—	—	—	10,952		Common stock
Capital surplus	2,996	—	—	65	3,061		Capital surplus
Retained earnings	49,372	466	—	(396)	49,442	J	Retained earnings
Treasury stock, at cost	(1,421)	(12)	—	—	(1,433)		Treasury stock, at cost
Accumulated other comprehensive income	1,264	(273)	—	1,961	2,952	E, I	Other components of equity
	63,163	181	—	1,630	64,974		Total Equity Attributable to Owners of Parent
Non-controlling interests	232	—	—	3	235		Non-controlling interests
Total Net Assets	63,395	181	—	1,633	65,209		Total Equity
Total Liabilities and Net Assets	¥ 99,236	¥ 201	¥ —	¥ 3,810	¥ 103,247		Total Liabilities and Equity

(4) Reconciliation of profit or loss and comprehensive income for the year ended March 31, 2018

Japanese GAAP		Millions of yen			IFRS		
Account name	Amount	Change of reporting date or scope of equity method	Reclassification	Differences in recognition and measurement	Amount	Notes	Account name
Net Sales	¥ 91,264	¥ 8	¥ (75)	¥ (399)	¥ 90,798	G	Revenue
Cost of sales	(63,731)	—	1	458	(63,272)	A,C,E, F,G	Cost of sales
Gross profit	27,533	8	(74)	59	27,526		Gross profit
Selling, general and administrative expenses	(21,196)	—	(23)	382	(20,837)	A,B,C, E,F	Selling, general and administrative expenses
	—	—	273	(28)	245	A	Other income
	—	—	(391)	(137)	(528)	A,F	Other expenses
	—	—	673	77	750		Share of profit of investments accounted for using equity method
Operating income	6,337	8	458	353	7,156		Operating income
Non-operating income	1,098	161	(947)	(37)	275	D	Finance income
Non-operating expenses	(836)	—	274	30	(532)	D	Finance costs
Extraordinary losses	(185)	—	185	—	—		
Income before income taxes	6,414	169	(30)	346	6,899		Profit before income taxes
Income taxes	(1,582)	(21)	30	(190)	(1,763)	H	Income tax expense
Profit	4,832	148	—	156	5,136		Profit for the year
Other Comprehensive Income							Other Comprehensive Income
Unrealized gains (losses) on available-for-sale securities	496	—	—	39	535		Net changes in financial assets measured at FVTOCI
Deferred gains on derivative instruments	(1)	—	—	—	(1)		Net changes in cash flow hedges
Foreign currency translation adjustments	47	—	—	(47)	(0)		Exchange differences on translation of foreign operations
Remeasurements of defined benefit plans	667	—	—	(333)	334	E	Remeasurements of defined benefit plans
Share of other comprehensive income in affiliates	34	(186)	—	(76)	(228)		Share of OCI of investments accounted for using equity method
Total Other Comprehensive Income	1,243	(186)	—	(417)	640		Total Other Comprehensive Income
Comprehensive Income	¥ 6,075	¥ (38)	¥ —	¥ (261)	¥ 5,776		Comprehensive Income

(5) Notes related to reconciliation

1. Change of reporting date or scope of equity method

Under Japanese GAAP, affiliates accounted for using equity method that have a different reporting date from that of the Company are consolidated based on the financial statements of the affiliates as of their reporting date. Under IFRS, unless it is practically impossible, the financial statements of the affiliates accounted for using equity method are prepared as of the Company's reporting date.

Under Japanese GAAP, immaterial affiliates were excluded from the scope of application of equity method. Under IFRS, such affiliates are included in the scope of application of equity method.

2. Reclassification

The Group reclassifies certain items to conform to provisions of IFRS. Major items are as follows:

- Under Japanese GAAP, time deposits with maturities of over 3 months are included in "Cash and deposits." Under IFRS, they are included in "Other financial assets."
- Under Japanese GAAP, "Electronically recorded monetary claims-operating" and "Allowance for doubtful accounts" are separately presented, and other receivables are included in "Other current assets." Under IFRS, they are included in "Trade and other receivables."
- Under Japanese GAAP, "Merchandise and finished goods," "Work in process," and "Raw materials and supplies" are separately presented. Under IFRS, they are collectively presented as "Inventories."
- Under Japanese GAAP, investments in affiliates are included in "Investments in securities." Under IFRS, they are included in "Investments accounted for using equity method."
- Under Japanese GAAP, "Investments in securities" are separately presented. Under IFRS, they are presented as "Other financial assets." Also under Japanese GAAP, lease deposits, etc. are included in "Other investments." Under IFRS, they are included in "Other financial assets."
- Under Japanese GAAP, "Deferred tax assets" are separately presented as a current item. Under IFRS, they are presented as a non-current item.
- Under Japanese GAAP, "Electronically recorded obligations-operating" are separately presented and other receivables are included in "Other current liabilities." Under IFRS, they are presented as "Trade and other payables."
- Under Japanese GAAP, "Bonds" and "Borrowings" are separately presented. Under IFRS, they are presented as "Bonds and borrowings."
- Under Japanese GAAP, certain sales discounts are included in "Non-operating expenses." Under IFRS, they are deducted from "Revenue."
- Items presented as "Non-operating income," "Non-operating expenses" and "Extraordinary losses" under Japanese GAAP that are related to finance are included in "Finance income" or "Finance costs," and the other items are presented as "Other income," "Other expenses" or "Share of profit of investments accounted for using equity method" under IFRS.

3. Differences in recognition and measurement

A. Property, plant and equipment

Under Japanese GAAP, property, plant and equipment are depreciated using mainly the declining-balance method. Under IFRS, they are depreciated using the straight-line method.

For certain land, the fair value based on the real estate appraisal at the date of transition to IFRSs was used as the deemed cost. As a result, property, plant and equipment decreased by ¥701 million.

At the date of transition to IFRSs, the previous carrying amount of property, plant and equipment for which deemed costs were used was ¥1,549 million, and the fair value was ¥848 million.

B. Goodwill

Under Japanese GAAP, goodwill is amortized on a straight-line basis over ten years. Under IFRS, goodwill is not amortized after the date of transition to IFRSs.

C. Research and development costs

Under Japanese GAAP, all research and development costs are expensed as incurred. Under IFRS, those satisfying the capitalization criteria are recognized as intangible assets.

D. Financial instruments

Under Japanese GAAP, securities and golf memberships without quoted prices are generally recorded at cost, and impairment loss is recognized as needed. Under IFRS, they are measured at fair value.

Also, under Japanese GAAP, sale of equity instruments measured at FVTOCI is recognized in profit or loss. Under IFRS, previously recognized other comprehensive income is directly reclassified to retained earnings.

E. Employee benefits

Under Japanese GAAP, it is not required to account for unused paid vacation and special vacation or incentives granted on the condition of certain service years. Under IFRS, they are recognized as liabilities.

Under Japanese GAAP, actuarial differences and past service cost are expensed on a straight-line basis over certain period within the average remaining service years of employees at the time they are incurred. Under IFRS, remeasurements of defined benefit plans including actuarial differences are recognized as incurred in other comprehensive income and immediately reclassified to retained earnings, and past service cost is immediately recognized as part of retirement benefit expenses.

Defined benefit obligations are remeasured in accordance with IFRS, and differences arising due to the allocation method, etc., of defined benefit obligations are adjusted through retained earnings.

F. Levies

Under IFRS, when to recognize a liability to pay a levy imposed by a government is identified, and a liability is recognized based on the activity that triggers the payment of the levy.

G. Revenue from sale of goods

Under Japanese GAAP, net sales are mostly recognized at the time of shipment. Under IFRS, the performance obligation is considered to be satisfied when a promised product is delivered to a customer and revenue is recognized at that point.

H. Deferred tax assets and liabilities

IFRS-related adjustments to items on the consolidated statement of financial position give rise to temporary differences. Under Japanese GAAP, tax consequences associated with the elimination of unrealized gain or loss are calculated using the seller's effective tax rate. Under IFRS, the buyer's effective tax rate is used.

The recoverability of all deferred tax assets is reviewed in accordance with IFRS.

I. Other components of equity

The Group applies the exemption for exchange differences on translation of foreign operations under IFRS 1 and deems cumulative translation differences for all foreign operations at the date of transition to IFRSs to be zero, with any cumulative translation differences reclassified to retained earnings.

J. Retained earnings

The impact on retained earnings of adjustments described above is as follows:

	Millions of yen	
	March 31, 2018	April 1, 2017
Property, plant and equipment (Note A)	¥ 3,196	¥ 3,202
Goodwill amortization (Note B)	10	—
Capitalization of development costs (Note C)	321	204
Financial instruments (Note D)	(13)	(44)
Employee benefits (Note E)	(864)	(1,583)
Levies (Note F)	(273)	(286)
Revenue from sale of goods (Note G)	(179)	(45)
Deferred tax assets and liabilities (Note H)	(900)	(566)
Exchange differences on translation of foreign operations (Note I)	(1,673)	(1,716)
Other	(21)	(27)
Total	¥ (396)	¥ (861)

(6) Disclosure of major reconciliation items in the consolidated statement cash flows for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Major impacts on the consolidated statement of cash flows of the transition from Japanese GAAP to IFRS are as follows.

Under Japanese GAAP, payments related to development costs are classified into cash flows from operating activities, but under IFRS capitalized development costs are classified into cash flows from investing activities. As a result, cash flows from operating activities increased by ¥206 million and cash flows from investing activities decreased by the same amount.