

# Shimadzu Integrated Report 2019

## Financial Section

**Consolidated Balance Sheet**

March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 13) .....	¥ 70,842	¥ 75,090	\$ 638,216
Time deposits (Note 13) .....	2,799	1,837	25,216
Securities .....		20	
Trade receivables:			
Notes and accounts (Note 13) .....	126,359	119,118	1,138,369
Allowance for doubtful receivables .....	(1,671)	(1,409)	(15,054)
Net trade receivables .....	124,688	117,709	1,123,315
Inventories (Note 5) .....	83,470	80,636	751,982
Prepaid expenses and other current assets .....	9,108	8,932	82,055
Total current assets .....	290,907	284,224	2,620,784
<b>PROPERTY, PLANT AND EQUIPMENT (Note 2.f):</b>			
Land .....	19,010	18,822	171,261
Buildings and structures .....	46,799	39,985	421,613
Machinery, equipment and vehicles .....	7,826	6,714	70,505
Tools, furniture and fixtures .....	13,725	12,655	123,647
Lease assets .....	3,183	2,735	28,676
Construction in progress .....	2,338	3,225	21,063
Total property, plant and equipment .....	92,881	84,136	836,765
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 4 and 13) .....	12,341	15,779	111,180
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 13) .....	1,222	685	11,009
Software .....	6,965	6,303	62,748
Asset for retirement benefits (Note 8) .....	10,481	8,010	94,423
Deferred tax assets (Note 11) .....	12,401	11,535	111,721
Other assets .....	9,992	7,877	90,018
Total investments and other assets .....	53,402	50,189	481,099
<b>TOTAL .....</b>	<b>¥437,190</b>	<b>¥418,549</b>	<b>\$3,938,648</b>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Notes 7 and 13) .....	¥ 1,964	¥ 2,435	\$ 17,694
Current portion of long-term debt (Note 7) .....	16,489	1,761	148,549
Trade notes and accounts payable (Note 13) .....	66,611	66,589	600,099
Other payables .....	15,487	16,244	139,523
Advances from customers .....	7,203	7,967	64,892
Income taxes payable .....	3,741	7,460	33,703
Provision for loss on defense equipment .....	45	95	405
Accrued expenses and other current liabilities .....	21,738	19,415	195,838
Total current liabilities .....	133,278	121,966	1,200,703
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 7 and 13) .....	2,576	17,488	23,207
Liability for retirement benefits (Note 8) .....	11,939	9,733	107,559
Long-term deposit .....	80	99	721
Other long-term liabilities (Note 11) .....	1,376	1,202	12,395
Total long-term liabilities .....	15,971	28,522	143,882
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)</b>			
<b>EQUITY (Notes 9 and 17):</b>			
Common stock, authorized, 800,000,000 shares; issued, 296,070,227 shares .....	26,649	26,649	240,081
Capital surplus .....	34,927	35,188	314,658
Retained earnings .....	222,802	198,038	2,007,225
Treasury stock – at cost, 1,502,537 shares in 2019 and 1,500,941 shares in 2018 .....	(1,416)	(1,411)	(12,757)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities .....	5,509	7,440	49,631
Foreign currency translation adjustments .....	(1,661)	(1,998)	(14,964)
Defined retirement benefit plans .....	1,084	3,789	9,766
Total .....	287,894	267,695	2,593,640
Noncontrolling interests .....	47	366	423
Total equity .....	287,941	268,061	2,594,063
<b>TOTAL .....</b>	<b>¥437,190</b>	<b>¥418,549</b>	<b>\$3,938,648</b>

**Consolidated Statement of Income**

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
<b>NET SALES</b> (Notes 12 and 18).....	<b>¥391,214</b>	<b>¥376,531</b>	<b>\$3,524,451</b>
<b>COST OF SALES</b> (Notes 8 and 12) .....	<b>234,044</b>	<b>226,697</b>	<b>2,108,505</b>
Gross profit .....	<b>157,170</b>	<b>149,834</b>	<b>1,415,946</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 8, 10 and 12) ...	<b>112,689</b>	<b>107,012</b>	<b>1,015,216</b>
Operating income (Note 18).....	<b>44,481</b>	<b>42,822</b>	<b>400,730</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income .....	523	587	4,712
Interest expense.....	(116)	(138)	(1,045)
Foreign exchange gain (loss), net.....	63	(1,271)	568
Compensation expenses .....	(570)	(312)	(5,135)
Donation .....	(204)	(252)	(1,838)
Gain on sales of non-current assets.....	57	158	514
Loss on disposal of non-current assets .....	(424)	(187)	(3,820)
Gain on sales of investment securities .....	177		1,595
Loss on sales of investment securities.....	(226)		(2,036)
Loss on valuation of investment securities .....	(199)	(66)	(1,793)
Impairment loss on buildings and structures, and land (Note 6) .....	(196)		(1,766)
Other, net.....	1,286	435	11,585
Other income (expenses), net.....	171	(1,046)	1,541
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>44,652</b>	<b>41,776</b>	<b>402,271</b>
<b>INCOME TAXES</b> (Note 11):			
Current .....	10,991	11,513	99,018
Deferred .....	1,075	343	9,685
Total income taxes.....	<b>12,066</b>	<b>11,856</b>	<b>108,703</b>
<b>NET INCOME</b> .....	<b>32,586</b>	<b>29,920</b>	<b>293,568</b>
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b> .....	<b>62</b>	<b>82</b>	<b>559</b>
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b> .....	<b>¥ 32,524</b>	<b>¥ 29,838</b>	<b>\$ 293,009</b>
	Yen		U.S. Dollars
<b>PER SHARE OF COMMON STOCK</b> (Notes 2.v and 16):			
Basic net income.....	<b>¥110.41</b>	<b>¥101.26</b>	<b>\$0.99</b>
Cash dividends applicable to the year.....	<b>28.00</b>	<b>24.00</b>	<b>0.25</b>

See notes to consolidated financial statements.

**Consolidated Statement of Comprehensive Income**

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
<b>NET INCOME</b> .....	<b>¥32,586</b>	<b>¥29,920</b>	<b>\$293,568</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Note 15):			
Unrealized gain on available-for-sale securities .....	(1,932)	1,591	(17,405)
Foreign currency translation adjustments .....	290	(566)	2,613
Defined retirement benefit plans.....	(2,703)	2,219	(24,351)
Total other comprehensive income.....	<b>(4,345)</b>	<b>3,244</b>	<b>(39,143)</b>
<b>COMPREHENSIVE INCOME</b> .....	<b>¥28,241</b>	<b>¥33,164</b>	<b>\$254,425</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent .....	<b>¥28,212</b>	<b>¥33,079</b>	<b>\$254,163</b>
Noncontrolling interests .....	<b>29</b>	<b>85</b>	<b>262</b>

See notes to consolidated financial statements.

**Consolidated Statement of Changes in Equity**

Year Ended March 31, 2019

	Millions of Yen				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
<b>BALANCE, APRIL 1, 2017</b> .....	294,824,586	¥26,649	¥35,188	¥174,391	¥ (886)
Net income attributable to owners of the parent.....				29,838	
Cash dividends.....				(6,191)	
Purchase of treasury stock.....					(525)
Net change in the year .....	(255,300)				
<b>BALANCE, MARCH 31, 2018</b> .....	294,569,286	26,649	35,188	198,038	(1,411)
Net income attributable to owners of the parent.....				32,524	
Cash dividends.....				(7,665)	
Change in the parent's ownership interest due to transaction with noncontrolling interest.....				(95)	
Purchase of treasury stock.....					(5)
Purchase of investments in capital of consolidated subsidiaries.....			(261)		
Net change in the year .....	(1,596)				
<b>BALANCE, MARCH 31, 2019</b> .....	294,567,690	¥26,649	¥34,927	¥222,802	¥(1,416)

	Thousands of U.S. Dollars (Note 3)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
<b>BALANCE, MARCH 31, 2018</b> .....	\$240,081	\$317,009	\$1,784,126	\$(12,712)
Net income attributable to owners of the parent.....			293,009	
Cash dividends.....			(69,054)	
Change in the parent's ownership interest due to transaction with noncontrolling interest.....			(856)	
Purchase of treasury stock.....				(45)
Purchase of investments in capital of consolidated subsidiaries.....		(2,351)		
Net change in the year .....				
<b>BALANCE, MARCH 31, 2019</b> .....	\$240,081	\$314,658	\$2,007,225	\$(12,757)

See notes to consolidated financial statements.

	Millions of Yen					
	Accumulated Other Comprehensive Income (Loss)			Total	Noncontrolling Interests	Total Equity
Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
<b>BALANCE, APRIL 1, 2017</b> .....	¥ 5,850	¥(1,429)	¥ 1,568	¥241,331	¥ 297	¥241,628
Net income attributable to owners of the parent.....				29,838		29,838
Cash dividends.....				(6,191)		(6,191)
Purchase of treasury stock.....				(525)		(525)
Net change in the year .....	1,590	(569)	2,221	3,242	69	3,311
<b>BALANCE, MARCH 31, 2018</b> .....	7,440	(1,998)	3,789	267,695	366	268,061
Net income attributable to owners of the parent.....				32,524		32,524
Cash dividends.....				(7,665)		(7,665)
Change in the parent's ownership interest due to transaction with noncontrolling interest.....				(95)		(95)
Purchase of treasury stock.....				(5)		(5)
Purchase of investments in capital of consolidated subsidiaries.....				(261)		(261)
Net change in the year .....	(1,931)	337	(2,705)	(4,299)	(319)	(4,618)
<b>BALANCE, MARCH 31, 2019</b> .....	¥ 5,509	¥(1,661)	¥ 1,084	¥287,894	¥ 47	¥287,941

	Thousands of U.S. Dollars (Note 3)					
	Accumulated Other Comprehensive Income (Loss)			Total	Noncontrolling Interests	Total Equity
Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
<b>BALANCE, MARCH 31, 2018</b> .....	\$ 67,027	\$(18,000)	\$ 34,135	\$2,411,666	\$ 3,297	\$2,414,963
Net income attributable to owners of the parent.....				293,009		293,009
Cash dividends.....				(69,054)		(69,054)
Change in the parent's ownership interest due to transaction with noncontrolling interest.....				(856)		(856)
Purchase of treasury stock.....				(45)		(45)
Purchase of investments in capital of consolidated subsidiaries.....				(2,351)		(2,351)
Net change in the year .....	(17,396)	3,036	(24,369)	(38,729)	(2,874)	(41,603)
<b>BALANCE, MARCH 31, 2019</b> .....	\$ 49,631	\$(14,964)	\$ 9,766	\$2,593,640	\$ 423	\$2,594,063

See notes to consolidated financial statements.

**Consolidated Statement of Cash Flows**

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes .....	¥ 44,652	¥ 41,776	\$ 402,270
Adjustments for:			
Income taxes paid .....	(14,806)	(8,814)	(133,387)
Depreciation and amortization .....	11,506	10,591	103,658
Impairment loss (Note 6) .....	196		1,766
Foreign exchange (gain) loss, net .....	(10)	22	(90)
Loss on sales and valuation of investment securities .....	247	66	2,225
Loss on sale and retirement of property, plant and equipment .....	367	30	3,306
Changes in assets and liabilities:			
Increase in trade receivables .....	(6,471)	(6,910)	(58,297)
Increase in allowance for doubtful receivables .....	226	134	2,036
Increase in inventories .....	(2,589)	(5,513)	(23,324)
(Decrease) increase in trade payables .....	(600)	10,045	(5,405)
Increase in accrued bonuses .....	349	554	3,144
(Decrease) increase in liability for retirement benefits .....	(1,411)	1,896	(12,712)
Other, net .....	(2,202)	(2,662)	(19,839)
Total adjustments .....	(15,198)	(561)	(136,919)
Net cash provided by operating activities .....	29,454	41,215	265,351
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment .....	1,024	490	9,225
Purchases of property, plant and equipment .....	(20,785)	(11,972)	(187,252)
Purchase of investments in capital of subsidiaries .....	(1,986)	(1,557)	(17,892)
Purchases of investment securities .....	(987)	(483)	(8,892)
Proceeds from sales of investment securities .....	749		6,748
Payments of long-term loans receivable .....	(59)	(157)	(532)
Collections of long-term loans receivable .....	47	45	423
Other, net .....	(901)	2,561	(8,116)
Net cash used in investing activities .....	(22,898)	(11,073)	(206,288)
<b>FINANCING ACTIVITIES:</b>			
Net decrease in short-term borrowings .....	(482)	(53)	(4,342)
Borrowings of long-term debt .....		650	
Repayments of long-term debt .....	(2,009)	(1,755)	(18,099)
Purchase of investment of subsidiaries from noncontrolling interest without change in scope of consolidation .....	(621)		(5,595)
Cash dividends paid .....	(7,683)	(6,199)	(69,216)
Purchase of treasury stock .....	(5)	(525)	(45)
Other, net .....	(19)	(21)	(171)
Net cash used in financing activities .....	(10,819)	(7,903)	(97,468)
FORWARD .....	¥ (4,263)	¥ 22,239	\$ (38,405)

(Continued)

**Consolidated Statement of Cash Flows**

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2019	2018	2019
FORWARD .....	¥ (4,263)	¥ 22,239	\$ (38,405)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS .....</b>	(236)	88	(2,127)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	(4,499)	22,327	(40,532)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....</b>	75,090	52,763	676,486
<b>INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY .....</b>	251		2,262
<b>CASH AND CASH EQUIVALENTS, END OF YEAR .....</b>	¥ 70,842	¥ 75,090	\$ 638,216

See notes to consolidated financial statements.

(Concluded)

## Notes to Consolidated Financial Statements

Year Ended March 31, 2019

### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation** - The consolidated financial statements as of March 31, 2019, include the accounts of the Company and its 23 (23 in 2018) domestic subsidiaries and 52 (51 in 2018) foreign subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

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

Investments in 7 (4 in 2018) unconsolidated subsidiaries and 4 (5 in 2018) associated companies are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

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

Shimadzu (Hong Kong) Limited and 11 other subsidiaries have a closing date falling on December 31; however, these companies carry out provisional settlements of accounts on March 31 and use these amounts in consolidated accounts.

During the year ended March 31, 2019, Shimadzu Aerotech Manufacturing, Inc. and Alsachim SAS were newly included in the scope of consolidation due to their increased significance to the Group financial statements.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**

- Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial

statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

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

Cash equivalents include time deposits that mature or become due within three months of the date of acquisition.

**d. Marketable and Investment Securities** - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

**e. Inventories** - Inventories are principally stated at the lower of cost, using the periodic average method, or net selling value.

**f. Property, Plant and Equipment** - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 75 years for buildings and structures; from 4 to 17 years for machinery, equipment and vehicles; and from 2 to 15 years for tools, furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

Accumulated depreciation at March 31, 2019 and 2018, was ¥93,192 million (\$839,568 thousand) and ¥89,663 million, respectively.

**g. Long-Lived Assets** - The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**h. Goodwill** - Goodwill is amortized using the straight-line method over estimated effective lives of up to 20 years, while immaterial amounts of goodwill are charged to income as incurred. Goodwill is included in the other assets among the investments and other assets section of the consolidated balance sheet.

**i. Software** - Software costs for internal use are capitalized and amortized by the straight-line method over estimated useful lives of 5 years.

**j. Retirement and Pension Plans** - The Company and certain domestic subsidiaries have three types of retirement and pension plans covering most of their employees, a cash balance type defined benefit pension plan, a lump-sum severance payment plan, and a defined contribution plan or an advance payment system. Under the defined contribution plan or advance payment system, employees can adopt whichever they consider more preferable. Other domestic subsidiaries have defined benefit pension plans and lump-sum severance payment plans. Certain foreign subsidiaries have non-contributory funded pension plans.

Certain consolidated subsidiaries have adopted a simplified method of calculation with liability for retirement benefits and retirement benefits expense. Under this simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily retired at the balance sheet date.

The Company has an employee retirement benefit trust for payments of retirement benefits. The securities that were contributed to and held in this trust qualify as plan assets.

A subsidiary participates in a multi-employer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is accounted for using the same method as a defined contribution plan.

The domestic subsidiaries also have a retirement plan for directors and Audit & Supervisory Board members. The Group provides a liability for the amount that would be required if all directors and Audit & Supervisory Board members retired at the end of each financial period. The accrued provisions are not funded and any amounts payable upon retirement are included in other long-term liabilities as

of March 31, 2019 and 2018.

**k. Asset Retirement Obligations** - An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**l. Research and Development Costs** - Research and development costs are charged to income as incurred.

**m. Allowance for Doubtful Receivables** - The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**n. Leases** - Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

**o. Transactions Related to the Board Incentive Plan Trust**

- Based on the resolution at the general meeting of shareholders held on June 28, 2017, the Company introduced the "Board Incentive Plan Trust" (the "Plan") as a performance-based stock remuneration plan for directors and titled corporate officers of the Company (excluding corporate officers who are non-residents of Japan). Accounting treatments related to the trust are in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

The Plan is a stock remuneration plan, wherein a trust established by the Company (Board Incentive Plan Trust) acquires Company shares using the cash contributed by the Company, and through this trust the Company shares and money equivalent to the amount obtained by converting the Company shares into cash, corresponding to the points

granted based on the degree of achievement of business performance each fiscal year and according to the individual position of the recipient, are delivered and paid to directors.

The shares of the Company remaining in the trust are recorded as treasury stock under equity based on the book value (excluding incidental costs) in the trust. As of March 31, 2019, the Company's treasury stock consisted of 253,200 shares with a total book value of ¥519 million (\$4,896 thousand), compared with 253,200 shares and a total book value of ¥519 million as of March 31, 2018.

In addition, the estimated amount of the aforementioned directors' remuneration allotted at the end of the current fiscal year was recorded as provision for stock payment.

**p. Bonuses to Directors and Titled Corporate Officers**

- Bonuses to directors and titled corporate officers are accrued at the year-end to which such bonuses are attributable.

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

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were classified as current assets and investments and other assets, and deferred tax liabilities were classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥9,662 million which were previously classified as current assets, as of March 31, 2018, have been reclassified as investments and other assets, in the accompanying consolidated balance sheet.

**r. Appropriations of Retained Earnings** - Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

**s. Foreign Currency Transactions** - All short-term and long-term monetary receivables and payables denominated

in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income in the period in which they occur.

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

**u. Derivatives** - The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange rate risk. The Group does not enter into derivatives for trading or speculative purposes.

Foreign currency forward contracts are measured at fair value and the unrealized gains/losses are recognized in income.

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

Diluted net income per share is not presented as there are not any dilutive securities outstanding.

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

**w. New Accounting Pronouncements**

(The Company and its domestic subsidiaries)

**Implementation guidance on accounting standards of revenue recognition** - On March 31, 2018, ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

(1) Overview

The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") have jointly developed and issued a new comprehensive revenue standard, "Revenue from Contracts with Customers" (IFRS 15 issued by IASB and Topic 606 issued by FASB), in May 2014.

As a basic policy, the ASBJ has developed comprehensive accounting standards for revenue recognition following the implementation of the requirement for entities to apply IFRS 15 for annual periods beginning on or after

January 1, 2018, and Topic 606 for annual periods beginning after December 15, 2017.

ASBJ has established a new accounting standard for revenue recognition based on the basic principles of IFRS 15, focusing on ensuring financial statement comparability. Also, the accounting convention for revenue recognition can take priority over the new accounting standard developed by ASBJ, as reasonable to ensure financial statement comparability.

(2) Date of adoption

The Company will adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of the implementation guidance  
The Company is in the process of measuring the effects of applying the revised implementation guidance in future applicable periods.

(Overseas subsidiaries)

**"Leases" (IFRS 16) and "Leases" (Accounting Standard Update ("ASU") 2016-02 in Accounting Principles Generally Accepted in the US.)**

(1) Overview

The new accounting standards require that lessees principally account for all leases on the balance sheet under a single model.

(2) Date of adoption

IFRS 16 will be applied from the beginning of the fiscal year ending March 31, 2020, and ASU 2016-02 will be applied from the beginning of the fiscal year ending March 31, 2021.

(3) Impact of the adoption of the implementation guidance  
The Company is in the process of measuring the effects of applying the standards in future applicable periods.

**3. U.S. DOLLAR AMOUNTS**

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to \$1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

**4. INVESTMENT SECURITIES**

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-current:			
Marketable equity securities ...	¥11,825	¥15,405	\$106,532
Non-marketable equity securities.....	516	374	4,648
Total .....	¥12,341	¥15,779	\$111,180

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

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<b>March 31, 2019</b>				
Securities classified as:				
Available-for-sale equity securities.....	¥3,967	¥7,858		¥11,825

**March 31, 2018**

Securities classified as:

Available-for-sale equity securities.....	¥4,758	¥10,820	¥172	¥15,406
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	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	

**March 31, 2019**

Securities classified as:

Available-for-sale equity securities.....	\$35,739	\$70,793		\$106,532
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The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended March 31, 2019, were as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<b>March 31, 2019</b>			
Available-for-sale:			
Equity securities .....	¥748	¥177	¥226

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses

**March 31, 2019**

Available-for-sale:

Equity securities .....	\$6,739	\$1,595	\$2,036
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**5. INVENTORIES**

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Merchandise and finished goods	¥42,825	¥40,068	\$385,811
Work in process.....	20,348	19,936	183,315
Raw materials and supplies .....	20,297	20,632	182,856
Total .....	¥83,470	¥80,636	\$751,982

**6. LONG-LIVED ASSETS**

The Group recognized impairment loss for the year ended March 31, 2019, as follows:

**March 31, 2019**

Location	Usage	Description	Millions of Yen	Thousands of U.S. Dollars
Tokyo	Office	Buildings and structures, and land	¥196	\$1,766

Long-lived assets are generally grouped by business segment for management accounting. The Group has recognized impairment loss on business assets due to decisions to sell relevant assets. The carrying amounts of those assets

were written down to their recoverable amounts. The recoverable amount of those assets was measured at its net selling price. The net selling price is estimated by expected sale price.

## 7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings primarily consisted of bank overdrafts and financing agreements with banks, which are renewable on an annual basis and bear interest at annual rates ranging from 0.36% to 3.37% and from 0.36% to 4.12%, at March 31, 2019 and 2018, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
0.30% unsecured bonds, due June 2019	¥15,000	¥15,000	\$ 135,135
Borrowings, principally from banks, due serially to 2021 with interest rates ranging from 0.35% to 1.40% at March 31, 2019 (from 0.35% to 3.60%, due serially to 2021 at March 31, 2018)	576	1,202	5,189
Obligations under finance leases	3,489	3,047	31,432
Total	19,065	19,249	171,756
Less current portion	(16,489)	(1,761)	(148,549)
Long-term debt, less current portion	¥ 2,576	¥17,488	\$ 23,207

Annual maturities of long-term debt outstanding at March 31, 2019 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥16,489	\$148,549
2021	1,196	10,775
2022	747	6,730
2023	483	4,351
2024	130	1,171
2025 and thereafter	20	180
Total	¥19,065	\$171,756

## 8. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. In addition, consolidated domestic subsidiaries have severance payment plans for directors and Audit & Supervisory Board members. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the basic rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated domestic subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or certain other conditions.

The liability for retirement benefits at March 31, 2019 and 2018, for directors and Audit & Supervisory Board members is ¥138 million (\$1,243 thousand) and ¥169 million, respectively. The retirement benefits for directors and Audit & Supervisory

Board members are paid subject to the approval of the shareholders of each subsidiary.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥53,545	¥52,486	\$482,387
Current service cost	2,223	2,183	20,027
Interest cost	675	655	6,081
Actuarial losses (gains)	653	(351)	5,883
Benefits paid	(1,951)	(2,479)	(17,577)
Past service cost	267	(278)	2,405
Others	(182)	1,329	(1,638)
Balance at end of year	¥55,230	¥53,545	\$497,568

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥54,675	¥48,177	\$492,568
Expected return on plan assets	911	826	8,207
Actuarial (losses) gains	(2,091)	2,868	(18,838)
Contributions from the employer	4,787	4,260	43,126
Benefits paid	(1,240)	(1,703)	(11,171)
Others	(127)	247	(1,144)
Balance at end of year	¥56,915	¥54,675	\$512,748

(3) The changes in net defined benefit liability for the plans to which the simplified method was applied for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥2,852	¥2,694	\$25,694
Net periodic benefit costs	687	577	6,189
Benefits paid	(248)	(240)	(2,234)
Contributions from the employer	(148)	(179)	(1,334)
Balance at end of year	¥3,143	¥2,852	\$28,315

(4) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥59,540	¥57,714	\$536,396
Plan assets	(59,710)	(57,435)	(537,928)
	(170)	279	(1,532)
Unfunded defined benefit obligation	1,628	1,444	14,668
Net liability arising from defined benefit obligation	¥ 1,458	¥ 1,723	\$ 13,136

Liability for retirement benefits	¥11,939	¥ 9,733	\$107,559
Asset for retirement benefits	10,481	8,010	94,423
Net liability arising from defined benefit obligation	¥ 1,458	¥ 1,723	\$ 13,136

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥2,223	¥2,183	\$20,027
Interest cost	675	655	6,081
Expected return on plan assets	(911)	(826)	(8,207)
Amortization of prior service cost	(244)	(262)	(4,252)
Recognized actuarial gains	(472)	(27)	(2,198)
Others	687	1,514	6,189
Net periodic benefit costs	¥1,958	¥3,237	\$17,640

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ (518)	¥ 16	\$ (4,667)
Actuarial (losses) gains	(3,182)	3,077	(28,666)
Total	¥(3,700)	¥3,093	\$ (33,333)

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ 627	¥1,145	\$ 5,649
Unrecognized actuarial gains	1,203	4,384	10,837
Total	¥1,830	¥5,529	\$16,486

(8) Plan assets

a. Components of plan assets

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

	2019	2018
Debt investments	25%	22%
Equity investments	54	62
General account asset	15	13
Others	6	3
Total	100%	100%

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

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

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

	2019	2018
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.5%	1.5%

The expected compensation increase rate for the years ended March 31, 2019 and 2018, is based on the age-specific compensation increase index as of March 31, 2015.

## 9. EQUITY

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

a. Dividends

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

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders.

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase



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

#### 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥10,139 million (\$91,342 thousand) and ¥9,676 million for the years ended March 31, 2019 and 2018, respectively.

#### 11. INCOME TAXES

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
<b>Deferred tax assets:</b>			
Accrued bonuses.....	¥ 2,724	¥ 2,594	\$ 24,541
Unrealized profit eliminated from inventories.....	2,778	2,819	25,027
Loss on devaluation of inventories.....	1,167	1,104	10,514
Enterprise taxes.....	394	442	3,550
Allowance for doubtful receivables.....	343	283	3,090
Liability for retirement benefits.....	6,459	6,326	58,189
Depreciation.....	2,372	2,509	21,369
Tax loss carryforwards.....	73	23	658
Loss on impairment of long-lived assets.....	239	301	2,153
Other.....	3,557	3,656	32,044
Total	20,106	20,057	181,135
Less valuation allowance.....	(769)	(784)	(6,928)
Total deferred tax assets	¥19,337	¥19,273	\$174,207
<b>Deferred tax liabilities:</b>			
Gain on securities contributed to employee retirement benefit trust.....	¥ 3,951	¥ 4,014	\$ 35,595
Unrealized gain on available-for-sale securities.....	2,349	3,207	21,162
Other.....	639	557	5,757
Total deferred tax liabilities	¥ 6,939	¥ 7,778	\$ 62,514
Net deferred tax assets.....	¥12,401	¥11,535	\$111,721
<b>Net deferred tax liabilities (included in other long-term liabilities):</b>			
	¥ 3	¥ 40	\$ 28

The above net deferred tax assets and liabilities represent the aggregate amounts of each individual taxpayer's net deferred tax assets or liabilities.

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

	2019	2018
Normal effective statutory tax rate.....	30.5%	30.8%
Expenses not permanently deductible for income tax purposes.....	0.9	0.8
Valuation allowance.....	(0.0)	0.8
Per capita inhabitant tax.....	0.2	0.3
Difference in subsidiaries' tax rates.....	(2.5)	(1.4)
Tax credit for research and development costs.....	(3.5)	(4.0)
Other, net.....	1.4	1.1
Actual effective tax rate.....	27.0%	28.4%

#### 12. LEASES

##### LESSEE

The Group leases certain office space, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2019 and 2018, were ¥7,495 million (\$67,523 thousand) and ¥7,080 million, respectively. Future minimum payments under noncancelable operating leases as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year.....	¥ 754	¥ 857	\$ 6,793
Due after one year.....	1,003	1,222	9,036
Total.....	¥1,757	¥2,079	\$15,829

##### LESSOR

Future lease income under noncancelable operating leases as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year.....	¥ 89	¥100	\$ 802
Due after one year.....	113	202	1,018
Total.....	¥202	¥302	\$1,820

#### 13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

##### (1) Group Policy for Financial Instruments

The Group uses financial instruments such as loans from banks, bonds, and commercial paper. Cash surpluses, if any, are invested in low-risk financial assets such as deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

##### (2) Nature and Extent of Risks Arising from Financial

Instruments and Risk Management for Financial Instruments Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Such customer credit risk is

managed by administering the term and balance according to the Group's policies and by monitoring indications of deterioration of the financial condition of customers.

Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. The risk is managed by monitoring market values and financial positions of issuers on a regular basis.

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

Short-term loans and commercial paper are mainly used for operating activities, and long-term loans and bonds are mainly used for investment in property, plant and equipment. A part of such loans is exposed to market risks of interest rate fluctuation. Although payables and loans are exposed to liquidity risk, such risk is managed by making monthly cash flow plans.

The Group enters into foreign currency forward contracts to hedge exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is generally offset by opposite movements in the value of hedged assets or liabilities, except for credit-related market risk.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies under the supervision of the director in charge of the finance department.

The contract or notional amounts of derivatives which are shown in the table in Note 14 do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk. Please see Note 14 for more details about derivatives.

##### (3) Fair Values of Financial Instruments

Carrying amount, fair value, and unrealized gains (losses) of financial instruments are as follows. Financial instruments whose fair value cannot be reliably determined are not included in the following table.

##### (a) Fair value of financial instruments

March 31, 2019	Millions of Yen		Unrealized Gains (Losses)
	Carrying Amount	Fair Value	
Cash and cash equivalents..	¥ 70,842	¥ 70,842	
Time deposits.....	2,799	2,799	
Trade receivables.....	126,359	126,267	¥(92)
Investment securities.....	11,825	11,825	
Total.....	¥211,825	¥211,733	¥(92)
Short-term borrowings.....	¥ 1,964	¥ 1,964	
Trade notes and accounts payable.....	66,611	66,611	
Long-term debt: Bonds payable.....	15,000	15,006	¥ (6)
Total.....	¥ 83,575	¥ 83,581	¥ (6)
Derivatives.....	¥ 18	¥ 18	

March 31, 2018	Millions of Yen		Unrealized Gains (Losses)
	Carrying Amount	Fair Value	
Cash and cash equivalents..	¥ 75,090	¥ 75,090	
Time deposits.....	1,837	1,837	
Trade receivables.....	119,118	119,036	¥(82)
Investment securities.....	15,405	15,405	
Total.....	¥211,450	¥211,368	¥(82)
Short-term borrowings.....	¥ 2,435	¥ 2,435	
Trade notes and accounts payable.....	66,589	66,589	
Long-term debt: Bonds payable.....	15,000	15,030	¥(30)
Total.....	¥ 84,024	¥ 84,054	¥(30)
Derivatives.....	¥ 30	¥ 30	

March 31, 2019	Thousands of U.S. Dollars		Unrealized Gains (Losses)
	Carrying Amount	Fair Value	
Cash and cash equivalents..	\$ 638,216	\$ 638,216	
Time deposits.....	25,216	25,216	
Trade receivables.....	1,138,369	1,137,541	\$(828)
Investment securities.....	106,532	106,532	
Total.....	\$1,908,333	\$1,907,505	\$(828)
Short-term borrowings....	\$ 17,694	\$ 17,694	
Trade notes and accounts payable.....	600,099	600,099	
Long-term debt: Bonds payable.....	135,135	135,189	\$(54)
Total.....	\$ 752,928	\$ 752,982	\$(54)
Derivatives.....	\$ 162	\$ 162	

##### Cash and Cash Equivalents and Time Deposits

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

##### Trade Receivables

The fair values of trade receivables are measured at the amount to be received at maturity discounted at the Group-assumed corporate discount rate.

### Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 4.

### Trade Notes and Accounts Payable, Short-Term Borrowings

The carrying values of trade notes and accounts payable, short-term borrowings, and commercial paper approximate fair value because of their short maturities.

### Long-Term Debt: Bonds Payable

The fair values of bonds payable are measured at the market price.

### Derivatives

Fair value information for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in equity instruments that do not have a quoted market price in an active market	¥ 467	¥ 374	\$ 4,207
Stocks of subsidiaries and associated companies	1,222	685	11,009
Investment in investment partnerships	46		415
Total	¥1,735	¥1,059	\$15,631

It is extremely difficult to calculate their fair values because there are no market prices. Therefore, these items are not included in "(a) Investment securities."

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

	Millions of Yen	
	Due in 1 Year or Less	Due after 1 Year
March 31, 2019		
Cash and cash equivalents	¥ 70,842	
Time deposits	2,799	
Trade receivables	126,171	¥188
Total	¥199,812	¥188

	Thousands of U.S. Dollars	
	Due in 1 Year or Less	Due after 1 Year
March 31, 2019		
Cash and cash equivalents	\$ 638,216	
Time deposits	25,216	
Trade receivables	1,136,676	\$1,694
Total	\$1,800,108	\$1,694

Please see Note 7 for annual maturities of long-term debt.

### 14. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. All derivative transactions are entered into to hedge foreign currency

exposures incorporated within the Group's business.

Accordingly, market risk in these derivatives is generally offset by opposite movements in the value of hedged assets or liabilities, except for credit-related market risk.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies under the supervision of the director in charge of the finance department.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

The Company has the following derivative contracts outstanding as of March 31, 2019 and 2018:

	2019		
	In Thousands Contract or Notional Amount	Millions of Yen Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:			
Selling USD	USD 82,000	¥ 0	¥ 0
Selling Euro	EUR 16,500	17	17
Buying USD	USD 993	0	0

	2018		
	In Thousands Contract or Notional Amount	Millions of Yen Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:			
Selling USD	USD 66,000	¥ 8	¥ 8
Selling Euro	EUR 15,000	23	23
Buying USD	USD 2,050	(1)	(1)

	2019		
	In Thousands Contract or Notional Amount	Thousands of U.S. Dollars Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:			
Selling USD	USD 82,000	\$ 0	\$ 0
Selling Euro	EUR 16,500	153	153
Buying USD	USD 993	0	0

The fair value is estimated based on quotes from financial institutions.

### 15. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain on available-for-sale securities:			
(Losses) gains arising during the year	¥(2,841)	¥2,289	\$(25,595)
Reclassification adjustments to profit or loss	51		459
Amount before income tax effect	(2,790)	2,289	(25,135)
Income tax effect	858	(698)	7,730
Total	¥(1,932)	¥1,591	\$(17,405)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 290	¥ (566)	\$ 2,613
Total	¥ 290	¥ (566)	\$ 2,613
Defined retirement benefit plans:			
Adjustments arising during the year	¥(2,952)	¥3,347	\$(26,595)
Reclassification adjustments to profit or loss	(748)	(254)	(6,738)
Amount before income tax effect	(3,700)	3,093	(33,333)
Income tax effect	997	(874)	8,982
Total	¥(2,703)	¥2,219	\$(24,351)
Total other comprehensive (loss) income	¥(4,345)	¥3,244	\$(39,143)

### 16. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2019 and 2018, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
<b>Year Ended March 31, 2019:</b>				
Basic EPS				
Net income available to common shareholders	¥32,524	294,569	¥110.41	\$0.99
<b>Year Ended March 31, 2018:</b>				
Basic EPS				
Net income available to common shareholders	¥29,838	294,668	¥101.26	

Diluted EPS for the years ended March 31, 2019 and 2018, is not disclosed because no potentially dilutive securities are outstanding.

### 17. SUBSEQUENT EVENTS

#### Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2019, was approved at the Company's shareholders' meeting held on June 26, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 (\$0.14) per share	¥4,422	\$39,838

### 18. SEGMENT INFORMATION

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

#### (1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments consist of Analytical and Measuring Instruments, Medical Systems and Equipment, Aircraft Equipment, and Industrial Machinery.

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

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

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

Millions of Yen									
2019									
Reportable Segment									
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥241,395	¥69,084	¥27,343	¥45,419	¥383,241	¥7,973	¥391,214		¥391,214
Intersegment sales or transfers	19	24	114	92	249	1,815	2,064	¥(2,064)	
Total	¥241,414	¥69,108	¥27,457	¥45,511	¥383,490	¥9,788	¥393,278	¥(2,064)	¥391,214
Segment profit	¥ 38,776	¥ 2,327	¥ 119	¥ 4,466	¥ 45,688	¥1,377	¥ 47,065	¥(2,584)	¥ 44,481
Segment assets	212,370	59,420	51,202	48,030	371,022	9,710	380,732	56,458	437,190
Other:									
Depreciation	6,645	2,102	991	1,482	11,220	286	11,506		11,506
Increase in property, plant and equipment and intangible assets	10,979	4,481	2,590	3,391	21,441	270	21,711		21,711

Millions of Yen									
2018									
Reportable Segment									
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥231,561	¥65,916	¥27,639	¥44,191	¥369,307	¥7,224	¥376,531		¥376,531
Intersegment sales or transfers	40	20	88	120	268	1,642	1,910	¥(1,910)	
Total	¥231,601	¥65,936	¥27,727	¥44,311	¥369,575	¥8,866	¥378,441	¥(1,910)	¥376,531
Segment profit	¥ 37,046	¥ 2,701	¥ 479	¥ 4,084	¥ 44,310	¥ 892	¥ 45,202	¥(2,380)	¥ 42,822
Segment assets	201,374	57,408	50,732	40,175	349,690	9,499	359,190	59,357	418,548
Other:									
Depreciation	6,087	1,876	944	1,428	10,335	255	10,590		10,590
Increase in property, plant and equipment and intangible assets	8,841	2,963	2,667	2,069	16,540	648	17,188		17,188

Thousands of U.S. Dollars									
2019									
Reportable Segment									
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	\$2,174,730	\$622,378	\$246,333	\$409,180	\$3,452,621	\$71,830	\$3,524,451		\$3,524,451
Intersegment sales or transfers	171	217	1,027	829	2,244	16,351	18,595	\$(18,595)	
Total	\$2,174,901	\$622,595	\$247,360	\$410,009	\$3,454,865	\$88,181	\$3,543,046	\$(18,595)	\$3,524,451
Segment profit	\$ 349,333	\$ 20,964	\$ 1,072	\$ 40,234	\$ 411,603	\$12,405	\$ 424,008	\$(23,278)	\$ 400,730
Segment assets	1,913,243	535,315	461,279	432,703	3,342,540	87,477	3,430,017	508,631	3,938,648
Other:									
Depreciation	59,865	18,937	8,928	13,351	101,081	2,577	103,658		103,658
Increase in property, plant and equipment and intangible assets	98,910	40,369	23,333	30,550	193,162	2,432	195,594		195,594

Note: "Reconciliations" of segment profit include eliminations of intersegment transactions of ¥2,584 million (\$23,278 thousand) and ¥2,380 million as of March 31, 2019 and 2018, respectively. "Reconciliations" of segment assets include eliminations of intersegment receivables of ¥2,674 million (\$24,090 thousand) and ¥2,920 million, and unallocated corporate assets of ¥59,132 million (\$532,721

thousand) and ¥63,329 million as of March 31, 2019 and 2018, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to the Company's administration headquarters.

Segment profit has been adjusted to operating income in the consolidated statement of income.

(4) The Geographical Segments of the Group

a. Sales

Millions of Yen							
	Japan	United States of America	Europe	China	Other Asia	Other	Total
2019	¥193,906	¥42,588	¥31,292	¥71,859	¥35,274	¥16,295	¥391,214

Millions of Yen							
	Japan	United States of America	Europe	China	Other Asia	Other	Total
2018	¥187,667	¥41,833	¥27,605	¥68,440	¥34,133	¥16,853	¥376,531

Thousands of U.S. Dollars							
	Japan	United States of America	Europe	China	Other Asia	Other	Total
2019	\$1,746,901	\$383,676	\$281,910	\$647,378	\$317,784	\$146,802	\$3,524,451

b. Property, plant and equipment

Millions of Yen						Thousands of U.S. Dollars		
2019			2018			2019		
Japan	Foreign Countries	Total	Japan	Foreign Countries	Total	Japan	Foreign Countries	Total
¥79,095	¥13,786	¥92,881	¥71,421	¥12,715	¥84,136	\$712,568	\$124,197	\$836,765

(5) Amortization and the Balance of Goodwill of the Group

Millions of Yen							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 117			¥ 14			¥ 131
Goodwill at March 31, 2019	¥1,507			¥199			¥1,706

Millions of Yen							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Amortization of goodwill		¥34		¥ 14			¥ 48
Goodwill at March 31, 2018				¥216			¥216

Thousands of U.S. Dollars							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Amortization of goodwill	\$ 1,054			\$ 126			\$ 1,180
Goodwill at March 31, 2019	\$13,577			\$1,793			\$15,370

(6) Impairment Loss on Assets of the Group

Millions of Yen							
2019							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Impairment loss on assets	¥196						¥196

Thousands of U.S. Dollars							
2019							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Impairment loss on assets	\$1,766						\$1,766

\* \* \* \* \*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shimadzu Corporation:

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

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shimadzu Corporation and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 3 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 26, 2019

# Shimadzu Corporation

<https://www.shimadzu.com>



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