

NIPPON CHEMI-CON CORPORATION

**REPORT OF CONSOLIDATED
FINANCIAL STATEMENTS**

For the years ended
March 31, 2019 and 2018



Building a better
working world

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Independent Auditor's Report

The Board of Directors
Nippon Chemi-Con Corporation

We have audited the accompanying consolidated financial statements of Nippon Chemi-Con Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Chemi-Con Corporation and its consolidated subsidiaries as at March 31, 2019 and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 27, 2019

FINANCIAL HIGHLIGHTS
NIPPON CHEMI-CON CORPORATION
Five years ended March 31

	Millions of yen except for per share amounts				
	2019	2018	2017	2016	2015
Net sales	¥ 140,951	¥ 133,362	¥ 116,311	¥ 118,414	¥ 123,365
Profit (loss) attributable to owners of the parent company	¥ 917	¥ (16,056)	¥ 840	¥ (6,905)	¥ 5,362
Profit (loss) per share:					
Basic	¥ 56.36	¥ (985.77)	¥ 51.57	¥ (423.82)	¥ 329.09
Diluted	¥ -	¥ -	¥ -	¥ -	¥ -
Net assets per share	¥ 2,921.53	¥ 3,012.97	¥ 3,877.73	¥ 3,834.26	¥ 4,772.25

	Thousands of U.S. dollars except for per share amounts				
	2019	2018	2017	2016	2015
Net sales	\$ 1,269,944	\$ 1,201,571	\$ 1,047,948	\$ 1,066,893	\$ 1,111,500
Profit (loss) attributable to owners of the parent company	\$ 8,268	\$ (144,666)	\$ 7,569	\$ (62,216)	\$ 48,319
Profit (loss) per share:					
Basic	\$ 0.51	\$ (8.88)	\$ 0.46	\$ (3.82)	\$ 2.97
Diluted	\$ -	\$ -	\$ -	\$ -	\$ -
Net assets per share	\$ 26.32	\$ 27.15	\$ 34.94	\$ 34.55	\$ 43.00

- Notes:
1. Basic profit (loss) per share amounts are based on the average number of common shares outstanding during each year.
 2. Net assets per share amounts are based on the number of common shares outstanding at the end of each year.
 3. As we conducted a 10-to-1 share consolidation of its common stock on October 1, 2017, per share amounts have been adjusted as if the share consolidation had been conducted at the start of FY 2015.
 4. U.S. dollar amounts have been translated from yen at the rate of ¥110.99= U.S. \$1, as referred to in Note 1 to the consolidated financial statements.

To Our Stakeholders



Norio Kamiyama

Overview of Operating Results

The global economy during the fiscal year ended March 31, 2019 saw steady economic growth on increased consumer spending driven by a positive employment environment in the U.S.A. The European economy also trended towards recovery. On the other hand, while the Chinese economy maintained overall stable growth, intensified trade friction between the US and China drove a trend towards deceleration. The Japanese economy continued a mild recovery trend, but the impact of the Chinese economy caused stagnant exports since the latter part of the first half as the trend towards economic deceleration strengthened.

The market environment impacting the Nippon Chemi-Con Group was firm despite signs of sluggish market conditions in certain areas such as stagnant demand for industrial robot and other equipment-related markets in China. In addition to overall favorable conditions in the gaming market, automobile-related markets saw mostly firm growth thanks to advances in the adoption of Advanced Driving Assistant Systems (ADAS).

Amid such an operating environment, our Group continued to implement the various policies outlined in our 8th Medium-term Management Plan towards increasing our corporate value. Looking at sales, we worked to expand sales by clarifying core markets and products for sales expansion in each region and engaging in flexible sales development activities to rapidly respond to customer needs. We also worked to expand overseas production sites and promote production in optimal locations to reduce logistics expenses and other sales management costs to improve profitability. At the same time, we engaged in a unified Group effort under our mother factory structure to increase productivity by strengthening initiatives related to improving facility operating rates at overseas production sites.

In the area of product development, we developed and started mass production for the new LBV Series, a product line of radial lead type aluminum electrolytic capacitors for vehicle airbags. This new series offers up to approximately 30% higher capacitance compared to previous products. And for the MZR Series, the surface mount type aluminum electrolytic capacitor gaining market share for use in car navigation systems and in the emergency power supplies installed on various meters, we enhanced the product line by developing new products that last longer than previous products.

As a result, consolidated earnings for the year ended March 31, 2019 were net sales of 140,951 million yen (up 5.7% year on year), operating income of 5,137 million yen (down 11.7% year on year), and ordinary income of 4,833 million yen (up 9.5% year on year). Furthermore, we recorded profit attributable to owners of parent of 917 million yen (previous fiscal year was losses attributable to owners of parent of 16,056 million yen) on having recorded extraordinary losses related to the Antitrust laws.

Operating Results by Division

Following represent a breakdown of sales by business division.

1. Capacitors (126,391 million yen, 89.7% of total sales)
Despite signs of sluggish market conditions in certain areas such as stagnant demand in equipment-related markets in China, overall automotive-related demand was favorable as division net sales increased 4.8% year on year.
2. Mechanical Parts and Other Parts (3,537 million yen, 2.5% of total sales)
Division net sales increased 10.2% year on year thanks to increased CMOS camera module sales.
3. Capacitor Materials (6,819 million yen, 4.8% of total sales)
Division net sales decreased 4.3% year on year on stagnant demand for electrode foils for aluminum electrolytic capacitors in Japan and China.
4. Other Products (4,202 million yen, 3.0% of total sales)
Division net sales increased 72.8% year on year thanks to increased sales of resale products.

Outlook for Fiscal 2019

Looking at earnings forecasts, the US economy is expected to continue a trend of stable growth and Europe is expected to maintain an overall trend of mild recovery. On the other hand, the operating environment impacting our Group continues to require caution due to economic slowdown in China and the effect prolonged trade friction between the US and China is having on the global economy.

For FY2019, the final year of our 8th Medium-term Management Plan, the Nippon Chemi-Con Group has outlined our fundamental strategy as "Restoring the public confidence and improving corporate value toward the 90th anniversary (promoting aggressive management from shareholders' perspective) and Creating a platform for growing into a company with annual sales of 200 billion yen in the 9th Medium-term Management Plan." We will continue implementing core measures aimed at achieving the goals of our Medium-term Management Plan. We will engage in aggressive sales expansion activities in the automotive electronics market, the communications market, and the power electronics market, which are expected to see continued demand growth. At the same time, we will focus sales expansion activities in overseas markets on products such as electric double-layer capacitors, CMOS camera modules, multi-layer ceramic capacitors, and amorphous choke coils to generate new demand. As part of our smart factory initiative, we will achieve dramatic improvements in operating rates and aim for further improvements in productivity by using IoT to acquire data on operating conditions, etc. from production facilities to create visualizations of production processes.

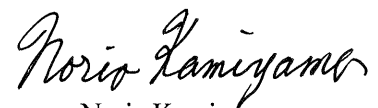
In September 2018, the Korea Fair Trade Commission reached a decision involving claims of a violation of Korea's Fair Trade act in relation to our electrolytic capacitor manufacturing and sales. Their decision includes a corrective action order, a fine, and criminal charges. In November 2018, we received the official resolution from the Korea Fair Trade Commission, which outlined a fine of 4,176 million won. Our recognition and understanding differs from those of the Korea Fair Trade Commission, and we cannot accept this ruling on the corrective action order and fine assessment. As such, we have filed an appeal with the Seoul High Court.

In May 2018, we decided to agree to a settlement with U.S. Department of Justice involving a monetary settlement in response to a lawsuit claiming a violation of U.S. antitrust laws and alleging that Nippon Chemi-Con engaged in a price cartel and pricing collusion for electrolytic capacitors. In October 2018, the legal settlement was approved by the U.S. District Court for the Northern District of California, and the amount of the fine to be paid was set at US \$60 million.

We take this opportunity to express our sincerest apologies to shareholders for concerns we have caused. We take the occurrence of these situations seriously. We will continue with measures including reinforcing employee education, promoting awareness activities, and enhancing internal audits to prevent reoccurrence, reinforce compliance with anti-trust/competition law and all other laws, and ensure fair business practices.

I ask for the continued support of all our stakeholders.

June 27, 2019

A handwritten signature in black ink, reading "Norio Kamiyama". The signature is written in a cursive, flowing style.

Norio Kamiyama
President

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheets

For the years ended March 31, 2019 and 2018

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current assets:			
Cash and deposits (Note 4)	¥ 19,011	¥ 24,692	\$ 171,288
Notes and accounts receivable-trade	26,587	29,108	239,547
Inventories (Note 5)	27,902	22,958	251,396
Accounts receivable-other	4,266	6,312	38,438
Other current assets	493	604	4,447
Less allowance for doubtful accounts	(6)	(18)	(59)
Total current assets	78,254	83,659	705,059
Property, plant and equipment:			
Buildings and structures	40,067	39,245	361,003
Machinery, equipment and others	137,956	131,763	1,242,963
Land	6,902	6,905	62,194
Lease assets	1,458	1,140	13,142
Construction in progress	2,543	2,378	22,915
Sub total	188,929	181,434	1,702,219
Less accumulated depreciation	(148,394)	(143,405)	(1,337,004)
Property, plant and equipment, net	40,535	38,029	365,215
Intangible fixed assets	1,247	1,073	11,243
Investments and other assets :			
Investment securities (Notes 6 and 14)	15,665	17,585	141,139
Long-term loans receivable	6	8	60
Deferred tax assets (Notes 3 and 8)	1,340	1,013	12,075
Other	1,260	1,368	11,358
Less allowance for doubtful accounts	(25)	(25)	(230)
Total investments and other assets	18,247	19,949	164,403
Total assets	¥ 138,284	¥ 142,711	\$ 1,245,921

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

For the years ended March 31, 2019 and 2018

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current liabilities:			
Notes and accounts payable-trade	¥ 8,321	¥ 10,106	\$ 74,977
Electronically recorded obligations	7,114	7,045	64,096
Short-term debt (Note 7)	21,053	15,817	189,691
Accounts payable-other	5,084	18,287	45,806
Income taxes payable	940	766	8,473
Accrued expenses	2,317	6,965	20,876
Bonus reserve	1,901	1,788	17,128
Notes payable-equipment	244	239	2,206
Other current liabilities	412	407	3,715
Total current liabilities	47,389	61,425	426,971
Long-term liabilities:			
Long-term debt (Note 7)	31,564	18,551	284,393
Deferred tax liabilities (Notes 3 and 8)	350	463	3,158
Provision for environmental safety measures	57	133	521
Net defined benefit liability (Note 9)	9,194	9,273	82,841
Other long-term liabilities	1,812	3,452	16,334
Total long-term liabilities	42,980	31,875	387,248
Total liabilities	90,370	93,300	814,220
Net assets:			
Shareholders' equity			
Common stock			
Authorized 39,613,200 shares issued and outstanding, 16,314,833 shares in 2018 and 16,314,833 shares in 2019	21,526	21,526	193,945
Capital surplus	18,928	28,079	170,538
Retained earnings	8,327	(1,252)	75,032
Treasury shares (Note 12)	(100)	(92)	(902)
Total shareholders' equity	48,681	48,260	438,614
Accumulated other comprehensive income			
Net unrealized gains on securities	831	1,692	7,487
Foreign currency translation adjustments	547	1,483	4,931
Remeasurements of defined benefit plans	(2,487)	(2,366)	(22,409)
Total accumulated other comprehensive income	(1,108)	809	(9,990)
Non-controlling interests	341	341	3,077
Total net assets	47,914	49,410	431,700
Total liabilities and net assets	¥ 138,284	¥ 142,711	\$ 1,245,921

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales	¥ 140,951	¥ 133,362	\$ 1,269,944
Cost of sales	114,256	105,748	1,029,431
Gross profit	26,694	27,614	240,513
Selling, general and administrative expenses (Notes 15 and 16)	21,557	21,795	194,227
Operating income	5,137	5,818	46,285
Non-operating income:			
Interest income	37	39	338
Dividend income	134	100	1,209
Equity in earnings of affiliated companies	510	375	4,603
Other	41	35	375
Total non-operating income	724	550	6,527
Non-operating expenses:			
Interest expenses	669	500	6,029
Financing expenses	15	547	140
Foreign exchange losses	299	883	2,695
Other	44	21	399
Total non-operating expenses	1,028	1,953	9,263
Ordinary income	4,833	4,416	43,550
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 17)	3	3	27
Gain on sales of investment securities	192	-	1,733
Gain on sales of investments in affiliated companies	-	24	-
Total extraordinary income	195	27	1,761
Extraordinary loss:			
Loss on disposal of property, plant and equipment (Note 18)	32	43	294
Loss related to Antitrust laws	2,733	19,223	24,627
Other	-	154	-
Total extraordinary loss	2,766	19,421	24,921
Profit (loss) before income taxes	2,263	(14,977)	20,389
Income taxes (Note 8):			
Current	1,448	1,310	13,049
Deferred	(73)	(201)	(663)
	1,374	1,109	12,385
Profit (loss)	888	(16,087)	8,004
Profit (loss) attributable to non-controlling interests	(29)	(30)	(263)
Profit (loss) attributable to owners of parent	¥ 917	¥ (16,056)	\$ 8,268
Profit (loss) per share:	Yen		U.S. dollars (Note 1)
	2019	2018	2019
Basic	¥ 56.36	¥ (985.77)	\$ 0.51
Diluted	-	-	-
Cash dividends per share (Note 20)	30.00	30.00	0.27

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Comprehensive Income
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit (loss)	¥ 888	¥ (16,087)	\$ 8,004
Other comprehensive income			
Net unrealized holding gain on securities	(876)	296	(7,893)
Foreign currency translation adjustments	(842)	558	(7,591)
Remeasurements of defined benefit plans	(115)	1,595	(1,042)
Share in other comprehensive income of affiliated companies accounted for using the equity method	(54)	(18)	(487)
Total other comprehensive income	(1,888)	2,432	(17,014)
Comprehensive income	¥ (999)	¥ (13,655)	\$ (9,009)
Attributable to:			
Owners of parent	(1,000)	(13,594)	(9,013)
Non-controlling interests	0	(60)	4

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2019 and 2018

For the Year Ended March 31, 2019

	Shareholders' equity (Note 11)				
	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2018	¥ 21,526	¥ 28,079	¥ (1,252)	¥ (92)	¥ 48,260
Changes of items during year					
Deficit disposition		(8,662)	8,662		
Cash dividends paid		(488)			(488)
Profit (loss) attributable to owners of parent			917		917
Purchase of treasury shares				(7)	(7)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(9,151)	9,580	(7)	421
Balance as of March 31, 2019	¥ 21,526	¥ 18,928	¥ 8,327	¥ (100)	¥ 48,681

	Accumulated other comprehensive income (Note 19)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2018	¥ 1,692	¥ 1,483	¥ (2,366)	¥ 809	¥ 341	¥ 49,410
Changes of items during year						
Deficit disposition						
Cash dividends paid						(488)
Profit (loss) attributable to owners of parent						917
Purchase of treasury shares						(7)
Net changes of items other than shareholders' equity	(861)	(935)	(121)	(1,918)	0	(1,917)
Total changes of items during year	(861)	(935)	(121)	(1,918)	0	(1,496)
Balance as of March 31, 2019	¥ 831	¥ 547	¥ (2,487)	¥ (1,108)	¥ 341	¥ 47,914

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2019 and 2018

	Shareholders' equity (Note 11)				
	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital Surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2018	\$ 193,945	\$ 252,990	\$ (11,285)	\$ (834)	\$ 434,815
Changes of items during year					
Deficit disposition		(78,049)	78,049		
Cash dividends paid		(4,402)			(4,402)
Profit (loss) attributable to owners of parent			8,268		8,268
Purchase of treasury shares				(67)	(67)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	(82,451)	86,318	(67)	3,798
Balance as of March 31, 2019	\$ 193,945	\$ 170,538	\$ 75,032	\$ (902)	\$ 438,614

	Accumulated other comprehensive income (Note 19)					
	Thousands of U.S. dollars (Note 1)					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2018	\$ 15,246	\$ 13,362	\$ (21,318)	\$ 7,291	\$ 3,073	\$ 445,180
Changes of items during year						
Deficit disposition						
Cash dividends paid						(4,402)
Profit (loss) attributable to owners of parent						8,268
Purchase of treasury shares						(67)
Net changes of items other than shareholders' equity	(7,759)	(8,431)	(1,091)	(17,282)	4	(17,277)
Total changes of items during year	(7,759)	(8,431)	(1,091)	(17,282)	4	(13,479)
Balance as of March 31, 2019	\$ 7,487	\$ 4,931	\$ (22,409)	\$ (9,990)	\$ 3,077	\$ 431,700

The accompanying notes are an integral part of these consolidated financial statements.

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statements of Changes in Net Assets
For the years ended March 31, 2019 and 2018

For the Year Ended March 31, 2018

	Shareholders' equity (Note 11)				
	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2017	¥ 21,526	¥ 28,079	¥ 15,292	¥ (75)	¥ 64,822
Changes of items during year					
Cash dividends paid			(488)		(488)
Profit (loss) attributable to owners of parent			(16,056)		(16,056)
Purchase of treasury shares				(17)	(17)
Net changes of items other than shareholders' equity					
Total changes of items during year	-	-	(16,545)	(17)	(16,562)
Balance as of March 31, 2018	¥ 21,526	¥ 28,079	¥ (1,252)	¥ (92)	¥ 48,260

	Accumulated other comprehensive income (Note 19)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥ 1,387	¥ 959	¥ (3,999)	¥ (1,652)	¥ 401	¥ 63,571
Changes of items during year						
Cash dividends paid						(488)
Profit (loss) attributable to owners of parent						(16,056)
Purchase of treasury shares						(17)
Net changes of items other than shareholders' equity	305	523	1,633	2,462	(60)	2,401
Total changes of items during year	305	523	1,633	2,462	(60)	(14,161)
Balance as of March 31, 2018	¥ 1,692	¥ 1,483	¥ (2,366)	¥ 809	¥ 341	¥ 49,410

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ 2,263	¥ (14,977)	\$ 20,389
Depreciation and amortization	7,024	6,632	63,288
Loss on antitrust laws	2,733	19,223	24,627
(Decrease) increase in net defined benefit liability	(204)	47	(1,843)
(Decrease) increase in allowance for doubtful accounts	(11)	(20)	(106)
(Decrease) increase in provision for environmental safety measures	(76)	(16)	(684)
Interest and dividend income	(171)	(139)	(1,548)
Interest expenses	669	500	6,029
Foreign exchange loss (gain)	(6)	22	(54)
Equity in earnings of affiliated companies	(510)	(375)	(4,603)
Loss (gain) on disposal of property, plant and equipment, net	29	40	266
Loss (gain) on sales of investments in affiliated companies	-	(24)	-
Loss (gain) on sales of investment securities	(192)	-	(1,733)
(Increase) decrease in notes and accounts receivable	2,411	(3,655)	21,726
(Increase) decrease in inventories	(4,904)	(2,334)	(44,187)
(Decrease) increase in notes and accounts payable	(1,618)	4,891	(14,583)
(Decrease) increase in accounts payable – other	63	281	574
Other	1,748	(590)	15,756
Sub total	9,246	9,504	83,312
Interest and dividends received	334	280	3,014
Interest paid	(682)	(502)	(6,145)
Income taxes paid	(1,246)	(1,041)	(11,232)
Payments related to antitrust law	(21,508)	(2,935)	(193,791)
Net cash provided by (used in) operating activities	(13,856)	5,305	(124,843)
Cash flows from investing activities:			
Increase in time deposit	-	(1)	-
Decrease in time deposit	51	-	460
Purchase of property, plant and equipment	(8,920)	(6,546)	(80,369)
Proceeds from sales of property, plant and equipment	3	3	32
Purchase of intangible fixed assets	(384)	(345)	(3,467)
Purchase of investment securities	-	(399)	-
Proceeds from sales of investment securities	367	-	3,308
Proceeds from sales of investments in affiliated companies	38	96	342
Payments from sale of investments in a subsidiary	-	(80)	-
Payments of loans receivable	(19)	(21)	(172)
Collections of loans receivable	22	31	205
Other	69	(1)	629
Net cash provided by (used in) investing activities	(8,771)	(7,265)	(79,030)
Cash flows from financing activities:			
Net (decrease) increase in short-term debt	14,573	(374)	131,300
Proceeds from long-term debt	14,500	1,500	130,642
Repayments of long-term debt	(12,284)	(2,196)	(110,680)
Purchase of treasury shares	(7)	(17)	(67)
Repayments of lease obligations	(167)	(181)	(1,509)
Proceeds from sale and leaseback	1,003	-	9,045
Cash dividends paid	(488)	(488)	(4,402)
Net cash provided by (used in) financing activities	17,128	(1,759)	154,328
Effect of exchange rate changes on cash and cash equivalents	(129)	(88)	(1,167)
Net increase (decrease) in cash and cash equivalents	(5,628)	(3,808)	(50,712)
Cash and cash equivalents at beginning of year	24,634	28,442	221,952
Cash and cash equivalents at end of year (Note 4)	¥ 19,005	¥ 24,634	\$ 171,240

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nippon Chemi-Con Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥110.99= U.S. \$1, the rate of exchange on March 31, 2019 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rates.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts presented in millions of yen are rounded down to the nearest complete million yen. The U.S. dollar amounts shown are equivalent to the Japanese yen amounts as rounded, translated at the rate stated above and then rounded down to the nearest complete thousand dollars.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, all of its subsidiaries. The accounts of certain subsidiaries are included in the consolidated financial statements on the basis of a December 31 fiscal year end. These financial statements are prepared in conformity with financial accounting standards in Japan which require elimination of intercompany accounts and transactions.

The number of consolidated subsidiaries and an affiliated company is as follows:

	2019
Consolidated subsidiaries	23
Affiliated company	1

Investments in all affiliated companies, with minor exceptions, are stated at their underlying equity value.

(2) Financial Instruments

1) Securities

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

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

The cost of securities sold is determined by the moving average method.

2) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. However, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is, as permitted under the "Accounting Standard for Financial Instruments", added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(3) Inventories

Merchandise and supplies are stated at cost, determined by the last purchase price method, but written down based on the declines in profitability.

Inventories other than merchandise and supplies are stated at cost, but written down based on the declines in profitability. In determining cost, either the total average method or the first-in, first-out method for finished goods and work in process, and either the first-in first-out method or the last purchase price method for raw materials are used.

(4) Depreciation

Depreciation for property, plant and equipment (except for lease assets) is computed primarily using the declining-balance method over the estimated useful lives of the assets. Meanwhile, buildings owned by the Company and its domestic subsidiaries (excluding facilities attached to buildings) and both facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on the straight-line method.

Finance lease assets that transfer ownership are depreciated as the same method as property, plant and equipment is adopted. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

(5) Allowance for Doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using a percentage of their own actual experience of bad debt loss against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Bonus Reserve

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries provide for estimated bonus payments attributable to the services provided by the employees during the year.

(7) Provision for Environmental Safety Measures

In accordance with the “Law Concerning Special Measures for Promotion of Proper Treatment of Poly Chlorinated Biphenyl Waste (PCB Waste),” the Company provides the estimated amount which will be required at the balance sheet date for the disposal of PCB Waste that will be generated through the Company’s operations.

(8) Retirement benefit

The retirement benefit obligation for employee is attributed to each period by the benefit formula method.

Prior service costs are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year in which they arise. Actuarial differences are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year following the year in which they arise.

Unrecognized prior service costs and unrecognized actuarial differences are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after the tax effect adjustment.

(9) Significant hedge accounting

1) Hedge accounting

The exceptional accounting method is adopted to the interest swap agreements which conform to the special regulated terms.

2) Hedging instruments and hedged items

Hedging instruments

Interest swap

Hedged items

Interest of loans

3) Hedge policy

The Company and its consolidated subsidiaries enter into interest swap agreements to hedge risks from fluctuation in interest rate of loans.

The hedged items are assessed at each contract.

4) Assessment of hedge effectiveness

Assessment of hedge effectiveness of interest swap agreements are omitted due to conforming to the special regulated terms.

(10) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net profit or loss for the period.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in the yen amounts, arising from the use of different rates, are presented as "Foreign currency translation adjustments" in Net Assets and Other comprehensive income.

(11) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Company and its wholly-owned domestic subsidiaries adopt the Japanese consolidated taxation system. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets, liabilities and those as reported in the consolidated financial statements.

(12) Consumption taxes

Consumption taxes are excluded from presentation of sales, cost of sales, income and expenses.

(13) Profit and Cash dividends per Share

Basic Profit per share is based on the average number of common shares outstanding during each year.

Cash dividends per share shown for each year in the accompanying Consolidated Statements of Operations represents dividends approved by shareholders for the respective years.

(14) Research and Development Expense and Computer Software

Research and development expense is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except where it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an intangible fixed asset and is amortized using the straight-line method over its estimated useful life of 5 years.

(15) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

3. Reclassification

(Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018(hereinafter, Statement No.28’)) effective April 1, 2018, thereby presenting deferred tax assets as a component of Investments and other assets, while presenting deferred tax liabilities in Long-term liabilities.

As a result, ¥561 million of deferred tax assets within ¥1,092 million in current assets previously presented in the consolidated balance sheet as of March 31, 2018 have been included in deferred tax assets in investments and other assets, while ¥530 million have been offset by the same amount of deferred tax liabilities.

Also, “Note 8 Income Taxes” has included additional information described in note 8 (excluding total amount of valuation allowance), and note 9 of “Accounting Standard for Tax Effect Accounting”, which are required in Paragraph 3 to Paragraph 5 of Statement No.28. However, those additional information corresponding to the previous fiscal year has not been disclosed in accordance with the transitional treatments prescribed in Paragraph 7 of Statement No.28.

4. Cash and cash equivalents

Reconciliation of cash and cash equivalents to the amount presented on the balance sheets at March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash and deposits	¥ 19,011	¥ 24,692	\$ 171,288
Time deposits with a deposit term of over 3 months	(5)	(58)	(48)
Cash and cash equivalents	<u>¥ 19,005</u>	<u>¥ 24,634</u>	<u>\$ 171,240</u>

5. Inventories

Inventories at March 31, 2019 and 2018 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Finished goods and merchandise	¥ 12,644	¥ 11,065	\$ 113,926
Work-in-process	9,652	7,334	86,968
Raw materials and supplies	5,605	4,558	50,500
Total	<u>¥ 27,902</u>	<u>¥ 22,958</u>	<u>\$ 251,396</u>

6. Investment securities

At March 31, 2019 and 2018, the acquisition cost, fair value and unrealized gains or losses of investment securities, whose fair value is available, are as follows:

	Millions of yen							
	2019				2018			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:								
Equity securities	¥ 2,225	¥ 1,214	¥ 174	¥ 3,264	¥ 2,400	¥ 2,315	¥ 13	¥ 4,702
Total	¥ 2,225	¥ 1,214	¥ 174	¥ 3,264	¥ 2,400	¥ 2,315	¥ 13	¥ 4,702

Thousands of U.S. dollars (Note 1)

	2019			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
	Other securities:			
Equity securities	\$ 20,051	\$ 10,938	\$ 1,575	\$ 29,414
Total	\$ 20,051	\$ 10,938	\$ 1,575	\$ 29,414

7. Short-term and long-term debt

The weighted average interest rates applicable to loans for the years ended March 31, 2019 and 2018 are 1.29% and 1.42%, respectively.

Short-term debt at March 31, 2019 and 2018 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
	Bank loans and overdrafts	¥ 18,340	¥ 3,693
Current portion of long-term debt	2,362	11,984	21,283
Lease obligations (Short-term)	351	139	3,162
Total	¥ 21,053	¥ 15,817	\$ 189,691

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Loans:			
Loans, principally from banks and insurance companies due from 2019 to 2026 with interest rates ranging from 0.35% to 5.20%	¥ 32,363	¥ 30,077	\$ 291,587
Lease obligations (Long-term)	1,563	457	14,088
	<u>33,927</u>	<u>30,535</u>	<u>305,676</u>
Less: current portion	(2,362)	(11,984)	(21,283)
Total	<u>¥ 31,564</u>	<u>¥ 18,551</u>	<u>\$ 284,393</u>

Note: The Company has a syndicate loan contract, a term loan contract and a commitment line with financial institutions. These contracts include financial covenants that are computed based on the consolidated balance sheet, etc.

8. Income Taxes

The Company is subject to a number of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 30.62 % for the year ended March 31, 2019.

Significant components of deferred tax assets and liabilities as at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Deferred tax assets:			
Bonus reserve	¥ 522	¥ 491	\$ 4,704
Net defined benefit liability	2,728	2,767	24,582
Tax loss carryforwards	6,100	7,921	54,963
Unrealized gain on inventories	106	120	956
Loss on devaluation of inventories	98	130	887
Accrued expenses	124	265	1,121
Other	566	572	5,099
Total gross deferred tax assets	<u>10,246</u>	<u>12,267</u>	<u>110,532</u>
Valuation allowance for tax loss carryforwards ²	(5,826)	-	(52,495)
Valuation allowance for total deductible temporary differences	<u>(2,466)</u>	<u>-</u>	<u>(22,224)</u>
Subtotal of valuation allowance ¹	<u>(8,293)</u>	<u>(10,279)</u>	<u>(74,719)</u>
Total deferred tax assets	<u>1,952</u>	<u>1,988</u>	<u>17,595</u>
Deferred tax liabilities:			
Net unrealized gains on securities	(318)	(704)	(2,866)
Depreciation recorded by foreign subsidiaries	(466)	(586)	(4,204)
Other	(178)	(147)	(1,607)
Total deferred tax liabilities	<u>(963)</u>	<u>(1,439)</u>	<u>(8,678)</u>
Net deferred tax assets	<u>¥ 989</u>	<u>¥ 549</u>	<u>\$ 8,917</u>

Notes: 1. Valuation allowance decreased by ¥1,985 million from the end of the previous fiscal year. The main reason for the change is a decrease in valuation allowance for tax loss carryforwards of ¥1,849 million.

2. Amounts of tax loss carryforward and related deferred tax assets by expiry date as of March 31, 2019, are as follows:

Millions of yen							
2019							
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	¥ 163	¥ 1,912	¥ 2,196	¥ 1,225	¥ 15	¥ 587	¥ 6,100
Valuation allowance	¥ 10	¥ 1,819	¥ 2,196	¥ 1,224	¥ 15	¥ 560	¥ 5,826
Deferred tax assets(*)	¥ 153	¥ 92	¥ -	¥ 0	¥ -	¥ 27	¥ 273

Thousands of U.S. dollars (Note 1)							
2019							
	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	\$ 1,474	\$ 17,230	\$ 19,787	\$ 11,039	\$ 138	\$ 5,292	\$ 54,963
Valuation allowance	\$ 94	\$ 16,394	\$ 19,787	\$ 11,034	\$ 138	\$ 5,045	\$ 52,495
Deferred tax assets(*)	\$ 1,379	\$ 835	\$ -	\$ 5	\$ -	\$ 246	\$ 2,468

(*): The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

For the year ended March 31, 2019, the reconciliation between the statutory tax rate and the effective income tax rate is as follows:

	2019	2018
Statutory tax rate	30.62 %	- %
Increase (decrease) in taxes resulting from:		
Expenses not deductible for income tax purposes	39.93	-
Capita levy on inhabitant tax	1.86	-
Overseas withholding taxes	4.83	-
Revenues not taxable such as dividend income	(39.23)	-
Change in the valuation allowance	(8.56)	-
Difference in subsidiaries' tax rates	(17.82)	-
Effect of eliminated dividend income	45.75	-
Other	3.36	-
Effective income tax rate	60.74 %	- %

Due to the recording of a loss before income taxes, a reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 has been omitted.

9. Retirement Benefit Plan

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have defined benefit plans which consist of defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

In addition, in certain cases, the Company pays special retirement allowances to retiring employees, which are not covered by employee retirement regulations.

The changes in the defined benefit obligation for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Balance at the beginning of the year	¥ 27,539	¥ 27,654	\$ 248,122
Service cost	1,003	998	9,041
Interest cost	171	165	1,546
Actuarial loss	10	36	90
Prior service cost	-	40	-
Retirement benefit paid	(1,343)	(1,073)	(12,100)
Other	(16)	(282)	(150)
Balance at the end of the year	¥ 27,364	¥ 27,539	\$ 246,550

The changes in the plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Balance at the beginning of the year	¥ 18,266	¥ 16,805	\$ 164,573
Expected return on plan assets	229	208	2,069
Actuarial loss	(395)	1,036	(3,567)
Contributions by the company	821	912	7,402
Retirement benefit paid	(741)	(715)	(6,677)
Other	(10)	18	(91)
Balance at the end of the year	¥ 18,170	¥ 18,266	\$ 163,709

The reconciliations of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefit recognized in the consolidated balance sheets as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Funded defined benefit obligation	¥ 17,539	¥ 17,696	\$ 158,025
Pension assets	(18,170)	(18,266)	(163,709)
	(630)	(569)	(5,683)
Unfunded defined benefit obligations	9,825	9,842	88,525
Net amount of liabilities and assets in consolidated balance sheet	9,194	9,273	82,841
Net defined benefit liability	9,194	9,273	82,841
Net amount of liabilities and assets in consolidated balance sheet	¥ 9,194	¥ 9,273	\$ 82,841

Note: Certain domestic consolidated subsidiaries adopt a simplified method in calculating of defined benefit obligation.

The components of retirement benefit expense for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Service cost	¥ 1,003	¥ 998	\$ 9,041
Interest cost	171	165	1,546
Expected return on plan assets	(229)	(208)	(2,069)
Amortization of unrecognized actuarial loss	476	766	4,297
Amortization of prior service cost	(152)	(152)	(1,375)
Other	-	(228)	-
Retirement benefit expense	¥ 1,269	¥ 1,341	\$ 11,440

The breakdown of items in other comprehensive income before tax effect for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Actuarial loss	¥ (70)	¥ (1,766)	\$ (639)
Prior service cost	152	193	1,375
Total	¥ 81	¥ (1,573)	\$ 736

The breakdown of items in accumulated other comprehensive income before tax effect as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Unrecognized actuarial loss	¥ 2,747	¥ 2,811	\$ 24,758
Unrecognized prior service cost	(211)	(363)	(1,901)
Total	¥ 2,536	¥ 2,447	\$ 22,856

The breakdown of pension assets by major category as of March 31, 2019 and 2018 are as follows:

	2019	2018
Equity securities	31%	32%
General account	22%	23%
Alternatives	17%	18%
Bonds	28%	25%
Other	2%	2%
Total	100%	100%

- Notes: 1. Alternatives mainly consisted of investment in hedge funds.
2. The total of plan assets includes employee pension trusts for the benefit pension plans, which accounts for 9% of the total as of March 31, 2019 and 9% as of March 31, 2018.

The items of actuarial assumptions as of March 31, 2019 and 2018 are as follows (The discount rate are shown as weighted average.):

	2019	2018
Discount rate	Primarily 0.3%	Primarily 0.3%
Expected rate of long-term return on plan assets	Primarily 1.25%	Primarily 1.25%

The amounts paid to the defined contribution pension plans for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Defined contribution pension plans	¥ 212	¥ 213	\$ 1,912

10. Derivatives

The Company and its consolidated subsidiaries selectively engage in derivative financial instrument transactions in order to manage the market risks from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

(1) Derivative transactions to which hedge accounting is not applied

1) Currency-related transactions

	Millions of yen					
	March 31, 2019			March 31, 2018		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts						
Sell:						
US\$	¥ 2,876	¥ 14	¥ 14	¥ 1,673	¥ 104	¥ 104
Euro	-	-	-	297	11	11
Baht	-	-	-	407	10	10
Won	55	0	0	25	(0)	(0)
Buy:						
US\$	-	-	-	454	5	5
	¥ 2,931	¥ 14	¥ 14	¥ 2,858	¥ 131	¥ 131

	Thousands of U.S. dollars (Note 1)		
	March 31, 2019		
	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts			
Sell:			
US\$	\$ 25,913	\$ 133	\$ 133
Won	503	1	1
	\$ 26,416	\$ 134	\$ 134

2) Interest-related transactions

None

(2) Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

None

2) Interest-related transactions

			Millions of yen					
			March 31, 2019			March 31, 2018		
Classification	Item	Hedged liabilities	Notional amount due			Notional amount due		
			Notional amount	after one year	Fair value	Notional amount	after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	22,620	22,620	(*)	24,551	14,551	(*)

			Thousands of U.S. dollars (Note 1)					
			March 31, 2019					
Classification	Item	Hedged liabilities	Notional amount due					
			Notional amount	after one year	Fair value			
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	203,806	203,806	(*)			

(*) Fair value of interest rate swaps by exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

11. Shareholders' equity

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

12. Treasury shares

A reconciliation of the beginning and ending amount of treasury shares is as follows:

	2018	Increase during the year	Decrease during the year	2019
Number of shares	28,781	2,493	-	31,274
Total price (Millions of yen)	¥ 92	¥ 7	-	¥ 100
Total price (Thousands of U.S. dollars) (Note 1)	\$ 834	\$ 67	-	\$ 902

13. Pledged assets

There are no pledged assets.

14. Related party transactions

Samyoung Electronics Co., Ltd. (Samyoung) is a 33.4%-owned affiliated company of the Company. The Company principally purchases Samyoung's products and the Company sells its products and materials.

Transaction's terms and policy

- (1) Purchase prices of Samyoung's products are determined in consideration of the market prices and total costs.
- (2) Sales prices of materials for capacitors and equipment are determined in consideration of the market prices and total costs.
- (3) The transaction prices of materials supplied to Samyoung are determined in consideration of the market prices and total costs.

Significant balances at March 31, 2019 and 2018 and transactions for the years ended March 31, 2019 and 2018 with related parties are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
Investment securities	¥ 12,304	¥ 12,786	\$	110,859

	Millions of yen					
	2019			2018		
	Transaction amount	Account Title	Balance at end of year	Transaction amount	Account title	Balance at end of year
Purchase of affiliates' products	¥ 7,106	Accounts payable	¥ 335	¥ 6,115	Accounts payable	¥ 628
Sales of materials and equipment	794	Accounts receivable -trade	12	709	Accounts receivable -trade	62
Supply of materials	¥ 2,495	Accounts receivable -other	¥ 98	¥ 2,642	Accounts receivable -other	¥ 271

	Thousands of U.S. dollars (Note 1)		
	2019		
	Transaction amount	Account Title	Balance at end of year
Purchase of affiliates' products	\$ 64,028	Accounts payable	\$ 3,023
Sales of materials and equipment	7,153	Accounts receivable -trade	111
Supply of materials	\$ 22,484	Accounts receivable - other	\$ 890

Condensed financial information of the significant affiliated companies, for which the equity method is applied, as of March 31, 2019 and 2018, and for the years then ended, is follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
Total current assets	¥ 32,271	¥ 33,988	\$	290,756
Total fixed assets	18,023	18,757		162,384
Total current liabilities	2,513	2,598		22,642
Total long-term liabilities	214	238		1,931
Total net assets	47,566	49,908		428,567
Net sales	25,217	22,708		227,209
Profit before income taxes	2,025	1,364		18,247
Net profit	1,528	1,047		13,768

15. Selling, general and administrative expenses

The following are the major elements of selling, general and administrative expenses for the years ended March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Freight and transportation	¥ 3,954	¥ 4,037	\$ 35,625
Salaries and wages	4,560	4,407	41,088
Provision for bonus reserve	903	848	8,139
Retirement benefit expenses	473	517	4,263
Depreciation	598	685	5,392
Research and development expenses	4,288	4,208	38,643

16. Research and Development expenses

The total amounts of research and development expenses for the years ended March 31, 2019 and 2018 are as follows and all of them are charged to income as incurred.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Research and development expenses	¥ 4,288	¥ 4,208	\$ 38,643

17. Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Machinery, equipment and others	¥ 3	¥ 3	\$ 27
Total	¥ 3	¥ 3	\$ 27

18. Loss on disposal of property, plant and equipment

Loss on retirement of property, plant and equipment for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Buildings and structures	¥ 1	¥ 2	\$ 14
Machinery, equipment and others	31	41	279
Total	¥ 32	¥ 43	\$ 294

19. Other comprehensive income

For the years ended March 31, 2019 and 2018, other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net unrealized holding gains on securities			
Amount arising during the year	¥ (1,070)	¥ 427	\$ (9,643)
Reclassification adjustments	(192)	-	(1,733)
Before deferred tax adjustments	(1,262)	427	(11,377)
Deferred tax amounts	386	(130)	3,483
Net unrealized holding gains on securities	(876)	296	(7,893)
Foreign currency translation adjustments			
Amount arising during the year	(842)	559	(7,591)
Reclassification adjustments	-	(0)	-
Foreign currency translation adjustments	(842)	558	(7,591)
Remeasurements of defined benefit plans			
Amount arising during the year	(406)	959	(3,658)
Reclassification adjustments	324	614	2,922
Before deferred tax adjustments	(81)	1,573	(736)
Deferred tax amounts	(33)	21	(305)
Remeasurements of defined benefit plans	(115)	1,595	(1,042)
Share in other comprehensive income of affiliated companies accounted for using the equity method			
Amount arising during the year	(54)	(55)	(487)
Reclassification adjustments	-	37	-
Share in other comprehensive income of affiliated companies accounted for using the equity method	(54)	(18)	(487)
Total other comprehensive income	¥ (1,888)	¥ 2,432	\$ (17,014)

20. Dividends

(1) Year ended March 31, 2019

1) Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2018	Common stock	¥ 488	\$ 4,402	Capital surplus	¥ 30.00	\$ 0.27	March 31, 2018	June 29, 2018

2) Dividends for which the record date came during the year ended March 31, 2019, and the effective date is after said period.

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2019	Common stock	¥ 488	\$ 4,401	Capital surplus	¥ 30.00	\$ 0.27	March 31, 2019	June 28, 2019

(2) Year ended March 31, 2018

1) Dividends paid

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2017	Common stock	¥ 488	\$ 4,403	Retained earnings	¥ 3.00	\$ 0.03	March 31, 2017	June 30, 2017

2) Dividends for which the record date came during the year ended March 31, 2018, and the effective date is after said period.

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2018	Common stock	¥ 488	\$ 4,402	Capital surplus	¥ 30.00	\$ 0.27	March 31, 2018	June 29, 2018

21. Financial instruments

(1) Status of financial instruments

1) Policies for financial instruments

The Company and its consolidated subsidiaries invest only in short-term deposits and raise funds by borrowing from banks, issuing corporate bonds and capital increase. The Company and certain consolidated subsidiaries use derivative financial instruments for the purpose of reducing risk of fluctuation of exchange rates and interest rates.

2) Details of financial instruments and related risk

Trade receivables are exposed to the credit risk of customers. In addition, trade receivables denominated in foreign currencies generated by worldwide operations are exposed to the risk of exchange rate fluctuations. This risk is hedged by using forward exchange contracts for, in principle, the net position after offsetting trade

receivables denominated in foreign currencies with trade payables denominated in foreign currencies. Investments in securities, which primarily consist of shares of the companies with which the Companies have operational relationships, are exposed to market volatility risk. Trade payables are mostly due within one year. Short-term and long-term debt are used for the Company's operation and capital expenditure. Variable interest rate loans are exposed to the risk of interest rate fluctuations. Interest rate swap transactions are used as hedges to fix interest expenses for a portion of long-term variable interest rate debts. Trade payable, account payables – other and debts are exposed to liquidity risk. Derivative transactions primarily consist of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and payables denominated in foreign currencies.

3) Risk management of financial instruments

i) Management of credit risk (customers or counterparties' default risk)

The credit risk monitoring activities of the Company and its consolidated subsidiaries include review of overdue and balance amounts of each customer as well as review of credit worthiness of major customers on a regular basis in accordance with the sales credit management regulation etc.

The Company enters into derivative transaction with highly rated financial institutions to reduce counterparty risk.

ii) Management of market risk (fluctuation risk of currencies and interests)

The Company hedges foreign currency fluctuation risk of trade receivables and payables denominated in foreign currencies by entering into foreign exchange forward contracts with contract periods within half year in principle.

The Company enters into the interest swap contract to mitigate the risk of interest rate fluctuations on debts.

With respect to investments in securities, the Company assesses the fair value and financial status of the issuing entities (transaction partner) at each quarter, and periodically reviews the necessity of such securities, taking into account the Company's relationship with respective transaction partners.

The Company enters into and manages the derivative transactions in accordance with internal rules stipulating authorization and maximum limits of transactions. The accounting division makes journal entries and performs direct confirmation of transaction balances with counterparties.

iii) Management of liquidity risk in financing activities (the risk that the Company may not be able to meet its obligations on scheduled due dates)

The Company manages the liquidity risk by preparing the financial plans on a semiannual and monthly basis, and by entering into commitment line agreements with transacting financial institutions.

4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, or, if there are no market prices, based on reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices. The notional amount of derivatives that are shown in Note 10. "Derivatives" does not represent the amounts exchanged by the parties and do not measure the Company's exposure to market risk.

5) Concentration of credit risk

There is no operating credit for a specific large customer as of the consolidated balance sheet date.

(2) Fair value of financial instruments

The carrying amounts recognized on the consolidated balance sheets, fair values and the differences between them at March 31, 2019 and 2018 are as shown below. Financial instruments for which it is extremely difficult to determine the fair value is not included in the following table. Refer to “Note 2. Summary of Significant Accounting Policies”.

	Millions of yen					
	March 31, 2019			March 31, 2018		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
1) Cash and deposits	¥ 19,011	¥ 19,011	¥ -	¥ 24,692	¥ 24,692	¥ -
2) Notes and accounts receivable-trade	26,587	26,587	-	29,108	29,108	-
3) Investment securities						
i) Investments in securities	3,264	3,264	-	4,702	4,702	-
ii) Investments in stock of subsidiaries and affiliates	12,218	7,888	(4,329)	12,700	8,141	(4,559)
Total assets	¥ 61,081	¥ 56,751	¥ (4,329)	¥ 71,204	¥ 66,645	¥ (4,559)
1) Notes and accounts payable-trade	8,321	8,321	-	10,106	10,106	-
2) Electronically recorded obligations	7,114	7,114	-	7,045	7,045	-
3) Short-term debt (Except for lease obligations)	20,702	20,702	-	15,678	15,678	-
4) Long-term debt (Except for lease obligations)	30,001	30,078	77	18,093	17,818	(275)
Total liabilities	¥ 66,139	¥ 66,217	¥ 77	¥ 50,923	¥ 50,648	¥ (275)
Derivative transactions	¥ 14	¥ 14	¥ -	¥ 131	¥ 131	¥ -

Thousands of U.S. dollars (Note 1)

	March 31, 2019		
	Carrying amount	Fair value	Difference
1) Cash and deposits	\$ 171,288	\$ 171,288	\$ -
2) Notes and accounts receivable-trade	239,547	239,547	-
3) Investment securities			
i) Investments in securities	29,414	29,414	-
ii) Investments in stock of subsidiaries and affiliates	110,082	71,072	(39,009)
Total assets	\$ 550,334	\$ 511,324	\$ (39,009)
1) Notes and accounts payable-trade	\$ 74,977	\$ 74,977	\$ -
2) Electronically recorded obligations	64,096	64,096	-
3) Short-term debt (Except for lease obligations)	186,528	186,528	-
4) Long-term debt (Except for lease obligations)	270,304	271,005	700
Total liabilities	\$ 595,907	\$ 596,608	\$ 700
Derivative transactions	\$ 134	\$ 134	\$ -

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

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

Assets:

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

As their fair value approximates book value due to their short maturity, the corresponding book value is used as fair value.

- 3) Investment securities

The value of investments in securities is based on quoted market prices of stock exchanges.

Liabilities:

- 1) Notes and accounts payable-trade and 2) Electronically recorded obligation

As their fair value approximates book value due to their short maturity, the corresponding book value is used as fair value.

- 3) Short-term debt (Except for lease obligations)

The fair value of current portion of long-term debt is based on the total amount of the principal and interest discounted by the rationally estimated interest rate that would be applied to an equivalent new debt.

As a result, the book value is used as fair value as their fair value approximates book value due to their short maturity.

The fair value of short-term debt except for current portion of long-term debt is recorded at book value as the fair value approximates book value due to their short maturity.

- 4) Long-term debt (Except for lease obligations)

The fair value of long-term debt is based on the total amount of the principal and interest discounted by the rationally estimated interest rate that would be applied to an equivalent new debt.

Derivative transactions

Refer to "Note 10. Derivatives".

Notes 2: Financial instruments of which fair value is extremely difficult to determine

	Consolidated balance sheet			
	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
Unlisted shares	¥ 182	¥ 182	\$	1,642

These items are excluded from “3) Investment securities” since there are no quoted market prices and it is extremely difficult to determine the fair value of such items.

Notes 3: Monetary claims at March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
	Cash and deposits	¥ 19,011	¥ 24,692	\$
Trade receivables	26,587	29,108		239,547
Total	¥ 45,598	¥ 53,801	\$	410,836

Notes 4: Redemption schedules of corporate long-term debt with maturities at March 31, 2019 and 2018

	Long-term debt			
	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
2019	¥ 2,362	¥ 11,984	\$	21,283
2020	5,128	1,204		46,209
2021	13,957	3,901		125,755
2022	1,345	12,800		12,119
2023	7,857	187		70,795
2024 and thereafter	1,712	-		15,424

22. Lease

Depreciation is calculated using the straight-line method. The useful economic lives of the lease assets are equal to the lease term and the residual value is assumed to be zero.

The assumed interest expense is computed using the interest method over the lease terms based on the difference between the acquisition cost of the lease assets and the total lease payments.

23. Segment Information

(1) Overview of reportable segments

The Company has classified its reportable segments as the discrete units from which it obtains financial information, and for which the Board of Directors periodically allocates resources and evaluates performance.

The Company has established a functional business division for the capacitor business that mainly manufactures and sells capacitors. The business division formulates comprehensive strategies for Japan and overseas. Accordingly, the Company has a single segment “Capacitor”.

The “Capacitor” business mainly manufactures and sells aluminum capacitors related products including processed aluminum foils that are used as raw materials.

(2) Method of calculating amounts of net sales, income (loss), assets, and other items

The accounting policies of the segments are substantially the same as those described in the significant policies in Note 2. “Summary of Significant Accounting Policies”. Profits of reportable segments correspond to operating income.

(3) Information concerning net sales and income (loss), assets and other items by reportable segment

	Millions of yen					
	2019			2018		
	Capacitor	Other	Consolidated	Capacitor	Other	Consolidated
Net sales:						
Sales to unaffiliated customers	¥ 133,211	¥ 7,739	¥ 140,951	¥ 127,721	¥ 5,640	¥ 133,362
Intersegment sales	-	-	-	-	-	-
Total	133,211	7,739	140,951	127,721	5,640	133,362
Segment profit	4,419	717	5,137	5,229	588	5,818
Other:						
Depreciation	6,958	64	7,022	6,584	48	6,632
Increase in fixed assets	9,397	156	9,553	7,365	160	7,525

	Thousands of U.S. dollars (Note 1)		
	2019		
	Capacitor	Other	Consolidated
Net sales:			
Sales to unaffiliated customers	\$ 1,200,209	\$ 69,735	\$ 1,269,944
Intersegment sales	-	-	-
Total	1,200,209	69,735	1,269,944
Segment profit	39,817	6,468	46,285
Other:			
Depreciation	62,694	580	63,274
Increase in fixed assets	84,666	1,412	86,079

- Notes:
1. “Other” includes business segments other than the reportable segment such as CMOS Camera modules and Amorphous Choke Coils.
 2. Total segment profit corresponds to operating profit in the consolidated statements of operations.
 3. Segment assets are not disclosed since the assets are not allocated to each business segment.

(4) Related information

Related information for the years ended March 31, 2019 and 2018 are as follows:

1) Information by product and service

Information by product and service is omitted because the information is same as that of reporting segments.

2) Information by geographic area

i) Net Sales

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Japan	¥ 31,306	¥ 29,935	\$ 282,063
China	48,216	47,989	434,418
America	14,319	12,778	129,015
Europe	16,322	15,262	147,066
Others	30,786	27,396	277,380
Total	¥ <u>140,951</u>	¥ <u>133,362</u>	\$ <u>1,269,944</u>

ii) Fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Japan	¥ 29,276	¥ 27,300	\$ 263,777
China	2,126	2,242	19,162
America	3,080	3,174	27,752
Europe	42	33	387
Others	6,008	5,277	54,136
Total	¥ <u>40,535</u>	¥ <u>38,029</u>	\$ <u>365,215</u>

iii) Information about major customer

Information about major customer for the years ended March 31, 2019 and 2018 are not presented as there is no customer to whom sales is over 10% in the consolidated statements of operations

24. Other

The Company and its consolidated subsidiaries are being subjected to investigations conducted by competition authorities of each country, with respect to the transactions of aluminum electrolytic capacitors and other capacitors. The investigations are still in progress. Results of the investigations may affect the Company and its consolidated subsidiaries' operating results.

While the Company had decided to accept a plea agreement involving the payment of a fine ranging from US \$40 to 60 million with the U.S. department of Justice, the amount of fine to be paid as a result of said agreement was finalized at US \$60 million through the approval by the U.S. District Court for the Northern District of California in October 2018.

In September 2018, the Korea Fair Trade Commission reached a decision involving claims of a violation of Korea's Fair Trade act in relation to the Company's electrolytic capacitor manufacturing and sales. The decision included a corrective action order and imposition of a fine. In November 2018, the Company received the official resolution from the Korea Fair Trade Commission, which outlined a fine of KRW 4,176 million.

As a result, we have recorded additional loss related to antitrust laws of US \$20 million as an extraordinary loss since the Company had already recorded US \$40 million in the previous fiscal year, which had been probable to be incurred as the extraordinary loss related to the agreement with the U.S. department of Justice.