Year Ended March 31, 2019

Annual Report 2019









Maximizing energy conversion efficiency for the benefit of humanity and society.

ShinDengen

New power. Your power.

Our Philosophy

Management Philosophy

"Together with society,
our customers, and our employees"

Corporate Mission

"Maximizing energy conversion
efficiency for the benefit of humanity
and society."

Our Promise

**Listen closely, look ahead,
and create a future of value.**

Throughout our history, we have listened closely to our customers, tried to foresee what's coming in society, and played a significant role in cultivating expertise in our field. This has always been the spirit of our company. Today and tomorrow, we will continue striving to integrate leading technology and our extensive experience into our company spirit so that we can deliver optimum value.



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A Cautionary Note on Forward-Looking Statements

This annual report contains statements and information regarding the plans, prospects and strategies of the Shindengen Group that are forward-looking in nature and are not simply reiterations of historical fact. Such forward-looking statements and information involve known and unknown risks, uncertainties and other factors that could lead to outcomes that differ materially from those presented in this report. Readers are therefore cautioned not to overly rely on this information.

Value Creation Process

“Together with society, our customers, and our employees”

Our Values

- Management Philosophy
- Corporate mission
- Our promise

Business Model

- Mobility market
- Industrial equipment market
- Energy market
- Healthcare market

Increasingly complex customer needs
Accelerating digitization

ShinDengen
New power. Your power.

Shindengen boasts the rare combination of strengths in semiconductor technologies, circuit technologies and mounting technologies. By integrating, developing and applying these core technologies, we will create products that will help reduce carbon emissions worldwide.

Core Technologies

- Elemental semiconductor technologies
- Circuit technologies
- Mounting technologies

ESG

Sustainable Development Goals (SDGs)

Shindengen aims to help solve urgent challenges facing society, including climate change, global carbon emissions, and health- and welfare-related issues.

We believe meeting the demands and expectations of the Group’s diverse stakeholders is essential to fulfilling our corporate social responsibility.

Business Strategy

15th Medium Term Business Plan

Advancing product strategy for sustainable growth

Enhance the competitiveness of mainstay products

Develop growth businesses

Create next-generation products that are a decade ahead

Numerical Targets

Net sales ··· ¥115.0 billion

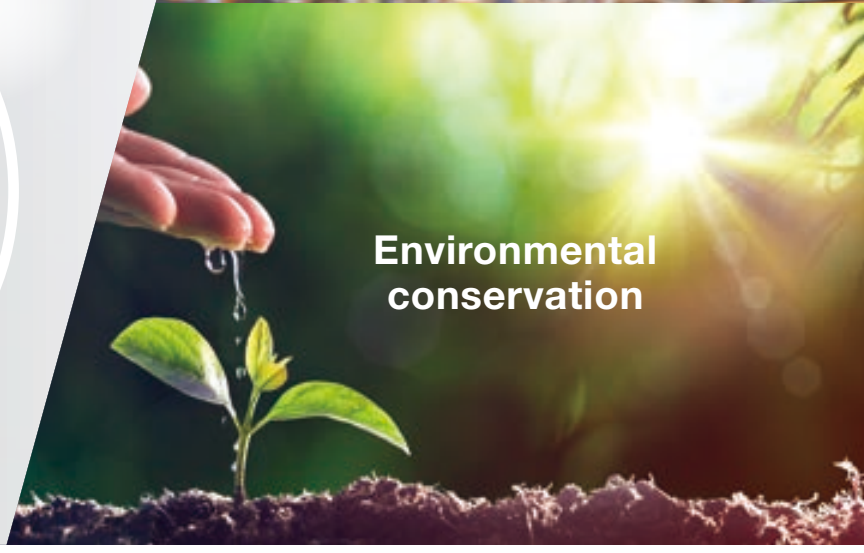
Operating income margin ····· 7.6 % or above

ROE ····· 10.0 % or above

Value to Society



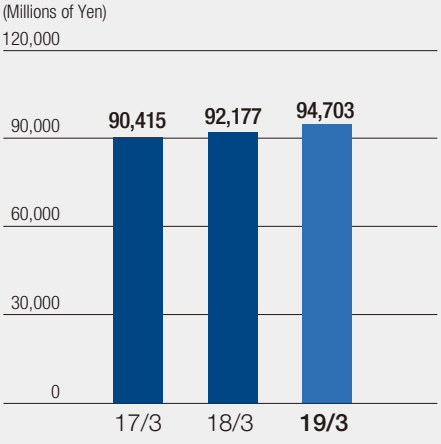




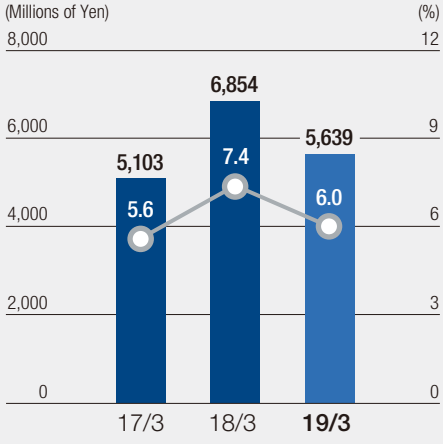
Management Performance



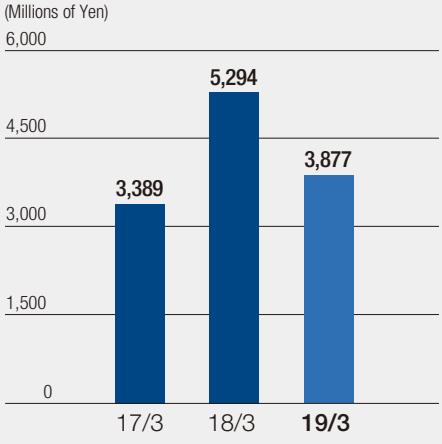
Net Sales



Operating Income and Operating Margin



Profit
(attributable to owners of parent)



Net sales (Millions of yen)

115,000

94,703

14th Medium Term Business Plan

Expansion of power modules

Expansion in overseas markets

15th Medium Term Business Plan

P. 11-12

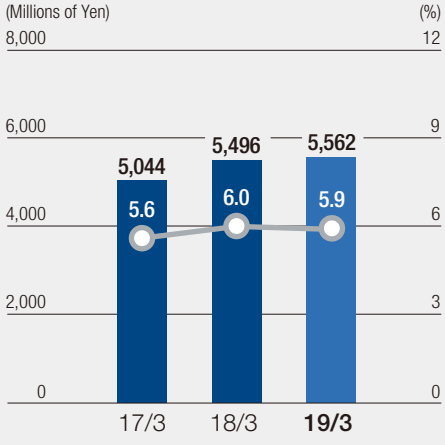
ROE **6.5%**

2019/3

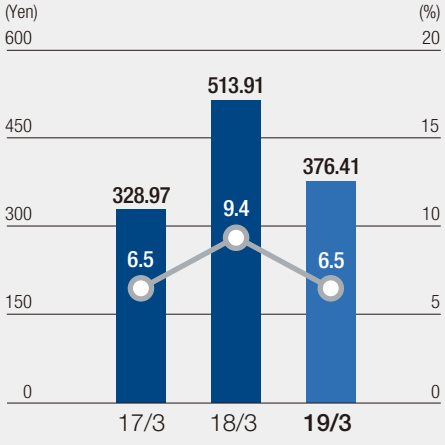
ROE **10.0%**

2022/3

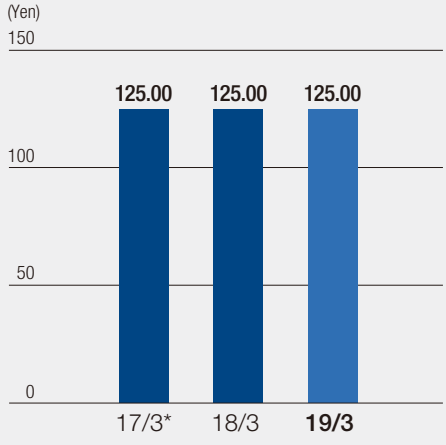
R&D Expenses and Ratio to Net Sales



EPS and ROE



Cash Dividends per Share



* Shindengen executed a share consolidation on October 1, 2017, at a ratio of 10 common shares to one. Per-share figures have been adjusted accordingly.

Interview with the President



Honing our core technologies and speed to achieve solid growth based on Shindengen's true strength

Yoshinori Suzuki
President

Performance

Q1 Please tell us about Shindengen's fiscal 2018 results.

In fiscal 2018, the year ended March 31, 2019, the Shindengen Group recorded an increase in sales but a decrease in profit, with net sales of ¥94,703 million (up 2.7% year on year), operating income of ¥5,639 million (down 17.7% year on year), and ¥3,877 million in profit attributable to owners of the parent (down 26.8% year on year).

By segment, the Electronic Device segment enjoyed strong first-half demand in all its principal markets, namely, mobility (motorcycles and four-wheel vehicles), industrial equipment and major household appliances. However, escalating U.S.-China trade friction later caused a steep decline in the industrial equipment market, in particular, leading to reductions in both sales and profit. However, in the Car Electronics segment, Shindengen released new products in response to new regulations in India, one of its principal markets, while demand in ASEAN countries was strong. As a result, sales and profit increased. In the Energy Systems & Solutions segment, performance was generally sluggish and on par with the previous fiscal year, but anticipated inspection and maintenance costs for certain products manufactured in the past were recorded as provision for product warranties, causing the operating loss to widen.

For more information about

- Market composition by segment, please refer to At a Glance on **pages 13–14**.
- Operating results by segment, please refer to Management's Discussion and Analysis on **pages 28–29**.

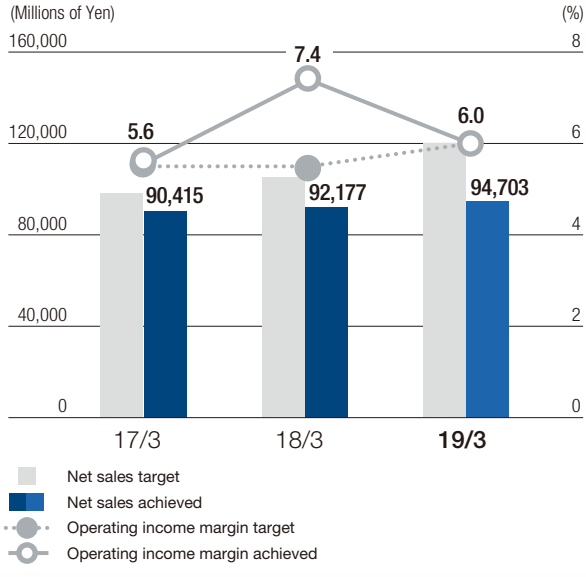
Q2 Could you give an overview of the 14th Medium Term Business Plan?

Our 14th Medium Term Business Plan was aimed at "working toward technological superiority," "speed" and "expanding overseas sales." Covering the first half of Shindengen's long-term vision for the period until fiscal 2021, the plan outlined measures to build a foundation for growth and set the targets of ¥120,000 million in net sales, an operating margin 6.0% or above, and ROE of 8% or above.

In terms of specific initiatives, in the Electronic Device segment, we retooled a disused building at our factory in Thailand in order to increase production capacity for power modules and power semiconductors, mainly for automobile applications. In the Car Electronics segment, we expanded our production factory floor area in India to more than 2.5 times its former size, aiming to raise our market share in that country. Other efforts to expand overseas sales included cultivating new customers, restructuring our sales agency network and reinforcing technological support to customers. Seeking to move away from our previous stance of self-sufficiency, we formed alliances with other companies, including some overseas, improving speed with the aim of reinforcing competitiveness.

As a result of such measures, net sales and the operating income margin have increased, as shown in the graph on the right. However, both fell significantly short of the plan's targets. The main causes of this shortfall were threefold. First, we misjudged future demand in the ASEAN motorcycle market (annual motorcycle sales in Indonesia remained at around 6,000,000, far from the forecast of 10,000,000). Second, in the new energy market, sales of photovoltaic generation products were lower than expected. And, third, while sales of power modules doubled in three years, they still fell far short of the original plan.

Targets and Results
(Net Sales, Operating Income Margin)



For more information about

- Each segment's businesses, please refer to At a Glance on **pages 13–14.**

Strategy

Q3 What should we expect under the new Medium Term Business Plan?

In formulating the plan, we first reexamined our business environment. Competition is intensifying, with numerous mega-suppliers and new players emerging in markets for our mainstay products. At the same time, increasing network sophistication accompanying advances in 5G and IoT as well as the growing use of electronic and electric technologies in four-wheel vehicles and motorcycles are driving growth in the mobility market. In turn, this growth is leading to expansion in fields that utilize our products, such as power semiconductors, power modules, electronic parts and chargers. In light of these circumstances, the key themes of the 15th Medium Term Business Plan are enhancing the competitiveness of our mainstay products, developing growth businesses, and creating next-generation products.

To enhance the competitiveness of mainstay products, we will work to increase productivity with an eye on overall optimization while improving quality and broadening the scope of added value we offer customers in order to reinforce our earning power. For example, to decrease costs, we will factor in production line considerations from the first stages of product design. To increase productivity toward overall optimization, we will implement multifaceted efforts, including automating production lines and utilizing external resources. In Car Electronics, which is seeing a global shift toward greater use of electronics in motorcycles as well as the entry of mega-suppliers, we will maintain our market share by providing high-quality ECUs that satisfy environmental and other regulations and by enhancing cost competitiveness.

To develop growth businesses, we will effectively utilize external resources, working to make power modules the next pillars supporting our businesses in the mobility and industrial equipment markets while we pursue business expansion in electric vehicle-related products. Furthermore, to bring products to market faster, we will tighten coordination between technological development departments and operating departments.

To create next-generation products, we will advance initiatives to develop products that are a decade ahead by moving beyond our existing business frameworks, possibly utilizing business alliances. We have also established a Future Strategy Committee made up of young and mid-career employees to facilitate the communication of innovative ideas to management.

Based on these measures, for fiscal 2019, we forecast net sales of ¥100,000 million, operating income of ¥5,000 million, and profit attributable to owners of the parent of ¥4,200 million. For the final year of the plan, fiscal 2021, we have set the targets of net sales of ¥115,000 million, an operating income margin of 7.6% or above, and ROE of 10.0% or above.

For more information about

- The Medium Term Business Plan, please refer to 15th Medium Term Business Plan on **pages 11–12**.
- Initiatives by business segment, please refer to Business Segments on **pages 15–18**.

ESG

Q4 Please tell us your thoughts on effectively reinforcing governance and returning profits to shareholders.

The Shindengen Group believes effective corporate governance is absolutely essential to increasing corporate value over the medium and long term. As you may know, Japan's corporate governance has undergone several recent revisions, bringing significant changes to its requirements.

As a result, while there were no items Shindengen had to explain (under the code's "comply or explain" framework) as of June 30, 2018, the number of such items had climbed to seven by the time we submitted our Corporate Governance Report on December 10.

At present, our aim is not solely to reduce the number of items requiring explanation. Instead, we are focusing on increasing governance efficacy as we continue looking for ways to increase the objectivity and transparency of our governance procedures.

One initiative we have already taken to reinforce governance is the revision of the director remuneration system. Under the revised system, common shares of the Company with a set vesting period are provided to directors as part of their compensation. This system has been adopted based on a resolution reached at the June 27, 2019 General Meeting of Shareholders.

We have more issues to address, such as clearer disclosure of succession planning and enhancing the diversity of the Board of Directors. As we make further headway, we will continue to improve Shindengen's management.

We regard returning profits to shareholders as an important management issue. Our basic approach is to pay dividends based on comprehensive consideration of the level of internal reserves necessary to maintain and enhance competitiveness within the industry, as well as ROE, operating performance and other factors. Given this, I think that our priority for the time being should be increasing earnings and aggressively investing in growth areas in order to increase corporate value.

At the same time, we seek to maintain steady dividends, especially in light of industry volatility. The fiscal 2018 per-share dividend was ¥125, unchanged from the previous fiscal year. Going forward, we will continue to invest in R&D and other areas, working to increase our share price through business growth. We forecast a per-share dividend of ¥125 for fiscal 2019, as well.

For more information about

• The corporate governance system, please refer to Corporate Governance on **pages 23–24.**

Q5 Please tell us about the Shindengen Group's CSR activities.

The Shindengen Group defines its key stakeholders as its customers, shareholders, employees and business partners, as well as, more broadly, the environment and local communities. Based on this understanding, we strive to fulfill our CSR through our business activities.

Beginning with fiscal 2019, we have created a medium-term plan for addressing important challenges related to CSR. This plan designates three key priorities, namely, identifying issues from a customer perspective via customer surveys, identifying and integrating material issues with management policy, and reinforcing human rights initiatives. For example, regarding the selection of material issues, environmental response is something we consider important. We manufacture many eco-friendly products, and going forward we will examine approaches in this area that take into consideration such major frameworks as the Paris Agreement.

Furthermore, we worked to enhance our global CSR efforts by establishing the Shindengen Group Human Rights Policy, issuing a statement in accordance with the UK's Modern Slavery Act and formulating the Supply Chain CSR Deployment Guidebook.

For more information about

• Shindengen's CSR activities, please refer to The Shindengen Group's ESG Management on **pages 20–26.**

Q6 Do you have any other message for shareholders and investors?

In October 2019, Shindengen will mark the 70th anniversary of its founding. Since I took office as president, I have done my utmost to foster active internal and external communication and sought to ensure that Shindengen plays a useful role in society and people's lives. Such factors as the recent U.S.-China trade friction and political concerns over rising nationalism are generating increased uncertainty and growing risks that we, as a single company, cannot control. In this turbulent time, the entire Group will work as one, acting with discernment, courage and decisiveness to demonstrate Shindengen's true strength. I invite all of our shareholders to look forward to the future as Shindengen's corporate value increases over the medium and long terms, and I ask for your continued understanding and support.



15th Medium Term Business Plan

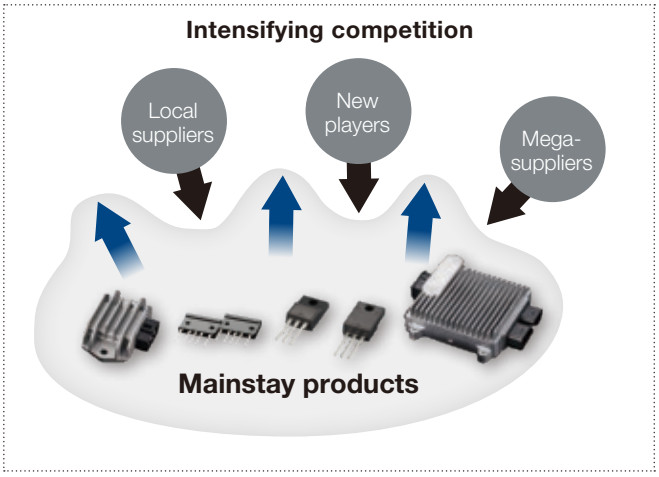
Shindengen has established its 15th Medium Term Business Plan for the three-year period of fiscal 2019 to fiscal 2021.

Shindengen has positioned mobility, industrial equipment, energy and healthcare as its key markets for some time, but going forward, we will focus even more on the mobility market. While aiming to advance product strategy for sustainable growth, we have established the following key themes as a framework for the three years leading to fiscal 2021 and beyond.



Advancing Product Strategy for Sustainable Growth

1 Enhance the competitiveness of mainstay products



- Increase productivity
- Overall optimization
- Quality, added value

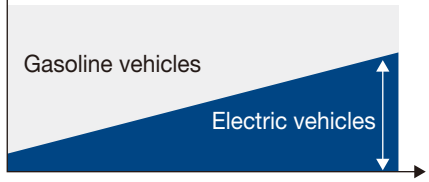
Reinforce earnings power

2 Develop growth businesses

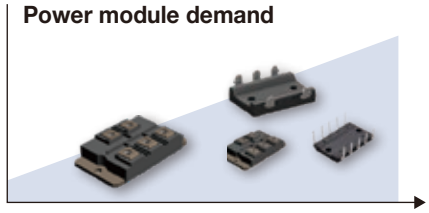
Effectively utilize external resources to make power modules and electric vehicle-related products our next business pillars



Growing use of electric vehicles

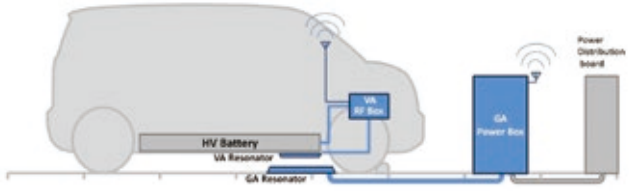


Power module demand



3 Create next-generation products that are a decade ahead

Move beyond existing business frameworks, possibly utilizing business alliances, to create next-generation products



To realize the plan's aims, we will work to increase productivity with an eye to overall optimization. We will make effective use of business synergies and external resources to enhance the competitiveness of mainstay products and develop growth businesses. To lay the groundwork for next-generation products that are a decade ahead, we will utilize business alliances and create new mechanisms that move beyond our existing business frameworks.

At the same time, we are planning to shift key functions from existing facilities that are aging or dispersed, concentrating them instead at a new business site. By doing so, we aim to not only better ensure business continuity and improve operational efficiency, but also to reinforce corporate governance and risk management while improving work environments, including work style reforms.

By steadily implementing these initiatives, we will improve our corporate value, a prerequisite to returning more profit to our shareholders.

Under the business plan, we have revised the numerical targets of the long-term vision established in 2016 in light of Shindengen's current business environment and our goals going forward. The revised targets are as follows.

Fiscal 2021 Numerical Targets

(Consolidated)

Net sales ··· **¥115.0 billion**

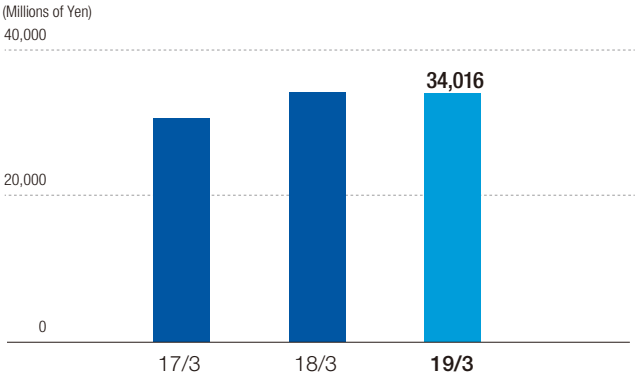
Operating income margin ····· **7.6 % or above**

ROE ····· **10.0 % or above**

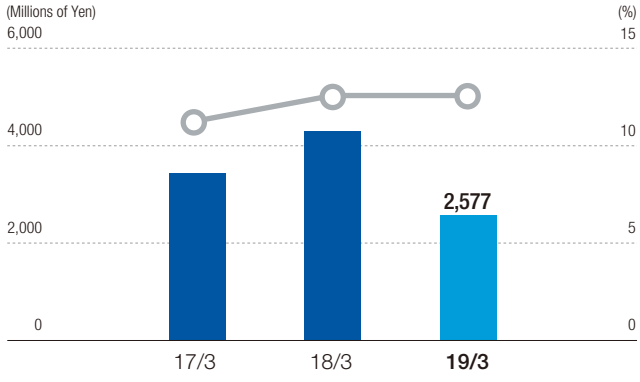
Business Segments

At a Glance

Net Sales

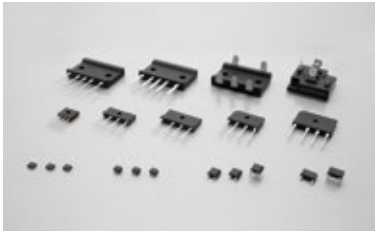


Operating Income and Margin

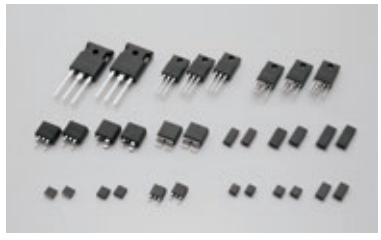


Electronic Device

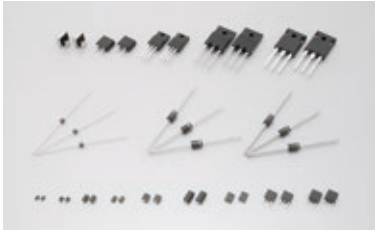
The Electronic Device segment produces diodes, thyristors, MOSFETs, high voltage power ICs and power modules, among other products.



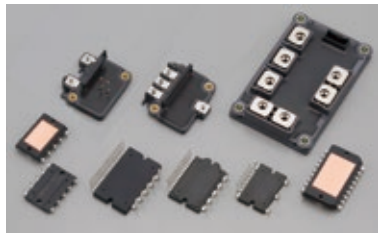
Bridge Diodes



Power MOSFETs & Power ICs



High Speed Rectifier Diodes and Surge Absorbers



Power Modules

Main Products and Markets

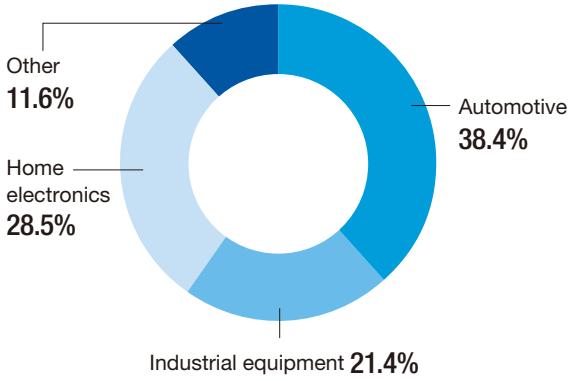
Products

- Bridge diodes
- High-speed rectifier diodes
- Thyristors
- SIDACs
- Power MOSFETs
- Power ICs
- Power modules

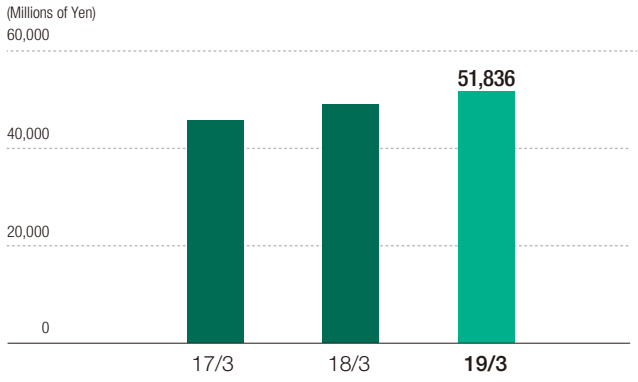
Markets

- Mobility (four-wheel vehicles)
- Industrial equipment market (factories)
- Home electronics (air conditioners, lighting, etc.)

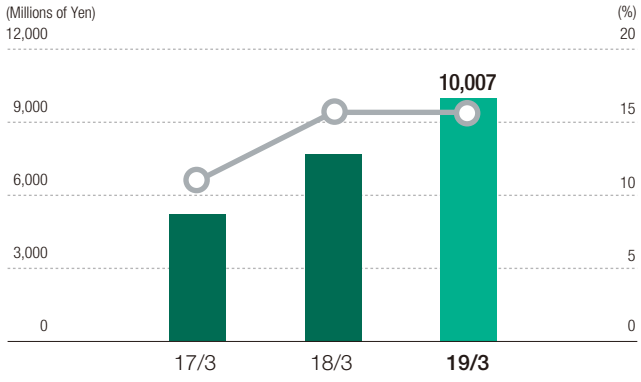
Composition of Market



Net Sales



Operating Income and Margin



Car Electronics

The Car Electronics segment produces motorcycle products, four-wheel vehicle products and general-purpose inverters, among other products.



Motorcycle Products



DC/AC Inverters for Four-wheel Vehicles



DC/DC Converters for FCV, PHEV, HEV, EVs*



Sine Wave Inverters for Portable Generators

Main Products and Markets

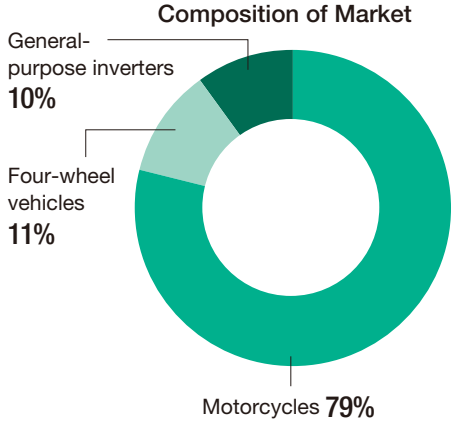
Products

- Motorcycle products
- Four-wheel vehicle products
- General purpose inverters

Markets

- Mobility (motorcycles, four-wheel vehicles)
- Generators

Composition of Market



* Electric vehicles, hybrid electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles

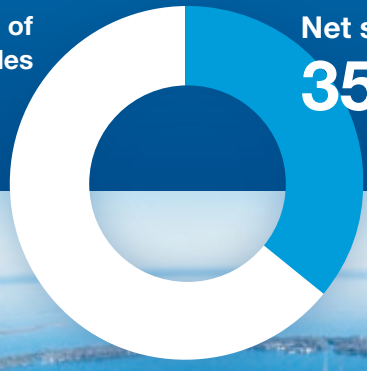
Business Segments

Electronic Device

Segment Overview

One of the biggest strengths of this segment is its extensive lineup of semiconductor devices used in high-voltage and high-current controls. Diodes, one of our mainstay products, are used in power supply for automobile electronic control units (ECUs), industrial equipment including factory automations and robots, as well as home electronics. MOSFETs, a type of switching device, are largely used in motorcycle ECUs in the Car Electronics segment. We also supply power modules for industrial machinery and automobiles, power ICs (integrated circuits) for lighting, and other high-performance products.

Percentage of total net sales
(Fiscal 2018)



Net sales
35.9%





Tomoaki Nishi
Officer

Review of the 14th Medium Term Business Plan

Having begun development of power modules in earnest in 2012, we positioned these products as growth drivers under the 14th Medium Term Business Plan. Since then, we have increased their presence in our product mix for the automobile and industrial equipment market. The increased market recognition of Shindengen's power modules is a major accomplishment that will contribute to future growth. Many of our power modules are custom products that are developed, produced and sold for a specific customer. Going forward, we will leverage the expertise gained through custom product development to develop more general-use products.

Until the beginning of fiscal 2018, the industrial equipment market—which, along with the automobile market, is one of our main markets—had been steady and strong. However, during fiscal 2018, this market decelerated severely. Under such conditions, net sales in the final year of the plan amounted to ¥34,016 million, 16% below the target set three years prior.

R&D

In diodes, we developed new products that enable higher voltage and higher current, mainly for the mobility market. We also advanced development of 650 V and 1,200 V SiC Schottky barrier diodes.

In switching devices, we enhanced our lineup of new products for the mobility market by introducing smaller low-voltage MOSFETs with upgraded performance. We also advanced development of MOSFETs with new structures.

In IC products, we developed and commenced mass production of control ICs for LED lighting and motor drivers.

In power modules, we expanded the range of modules under development, focusing mainly on the mobility market. In addition, we advanced the development of products using SiC MOSFET chips and GaN transistor chips.

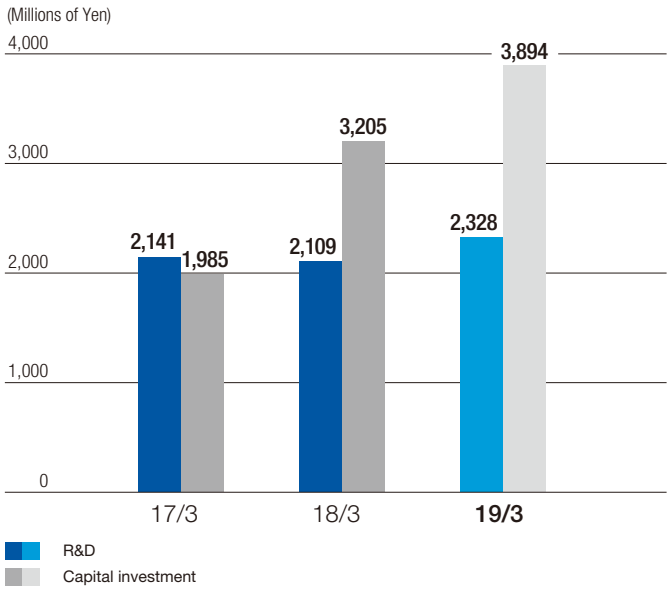
R&D expenses in this segment came to ¥2,328 million.

* SiC stands for silicon carbide, and GaN stands for gallium nitride. Both are next-generation power semiconductor materials.

Capital Investment

Segment capital investment totaled ¥3,894 million. Capital spending went mainly toward expanding production capacity and upgrades at Akita Shindengen Co., Ltd., Higashine Shindengen Co., Ltd., Lumphun Shindengen Co., Ltd. and Shindengen Philippines Corp.

R&D and Capital Investment



Business Strategy under the New Medium Term Business Plan

1 Enhance the competitiveness of mainstay products

Improve productivity: We will advance streamlining (including automation) of production line processes for mainstay diode and thyristor products.

Accelerate development of high-voltage, high-current products: We will apply circuit and packaging technologies to develop higher voltage and current products. We aim to apply these products to motors, for which the advance of electric vehicle and plug-in hybrid electric vehicle (EV/PHEV) technologies is driving demand.

Other: We will work to differentiate and reduce the costs of our MOSFET and IC products.

2 Develop growth businesses

Reinforce power modules: We will reinforce development capabilities by speeding up the processes of determining product specifications, sample production, and mass production. In addition, we will enhance our lineup of non-custom, general-purpose power modules.

Improve the profitability of power modules: We will expand production overseas (in Thailand) and advance automation to improve profitability.

3 Create next-generation products that are a decade ahead

Develop post-silicon devices: We will work to commercialize and enhance our lineup of diodes and MOSFETs that use SiC instead of silicon while seeking to commercialize modules made with GaN.

Business Segments

Car Electronics

Segment Overview

The Car Electronics segment began with the manufacture of regulators used to rectify electricity to charge motorcycle batteries. Products for motorcycles still account for more than 80% of segment sales. Our mainstay electronic control units (ECUs), which help to control motorcycle engines, are widely used in motor scooters in Asia, and our regulators are used worldwide. We also manufacture inverters for portable generators, converters used in eco-friendly vehicles and other products. Beginning in fiscal 2019, we also supply quick chargers for electric vehicles.

Percentage of total net sales
(Fiscal 2018)



Net sales
54.7%





Seiji Niizeki
Senior Officer

Review of the 14th Medium Term Business Plan

We implemented the Medium Term Business Plan with a focus on Asian motorcycle markets—including Indonesia, the largest in the ASEAN region, and India, which is seeing rapid growth—as our growth markets. While competition is increasing year by year, our motorcycle ECUs help improve fuel economy and reduce exhaust emissions. As such, factors including the tightening of environmental regulations in many countries contributed to a favorable business environment. However, due in part to motorcycle sales that lagged far below our initial market forecasts, net sales in the final year of the plan came to ¥51,836 million, 14% below the plan's target. Even so, under the plan, we expanded our business with local motorcycle manufacturers in the Indian market, a significant achievement that we expect to lead to further growth.

R&D

In the motorcycle market, Shindengen developed smaller and more cost-efficient next-generation ECUs with built-in idle-stop functions. We also advanced development through cross-industry alliances, leading to new solution proposals for customers. Furthermore, we began development aimed at the mass production of power control units (PCUs) in anticipation of the growing adoption of electric and hybrid motorcycles.

In the four-wheel vehicle field, we advanced development of DC/DC converters and vehicle chargers using new technologies, aiming to meet strong recent demand for miniaturization and cost reduction.

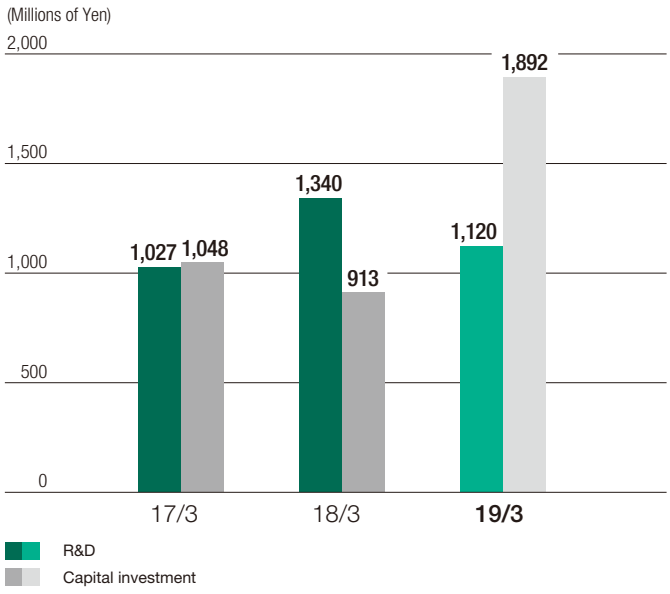
In the general-purpose field, we began development of products for automobiles and other applications that utilize secondary batteries and fuel cells, leveraging inverter technologies developed for engine generators.

R&D expenses in this segment came to ¥1,120 million.

Capital Investment

Segment capital investment totaled ¥1,892 million. Capital investment was aimed mainly at expanding production capacity at Shindengen India Pvt. Ltd. and Shindengen Vietnam Co., Ltd.

R&D and Capital Investment



Business Strategy under the New Medium Term Business Plan

1 Enhance the competitiveness of mainstay products

Expand our customer base: We will expand sales of motorcycle regulators and ECUs while cultivating new customers.
Reinforce the Indian market: We will set up an ECU production line in India, one of the most promising growth markets.

2 Develop growth businesses

Expansion in the four-wheel vehicle market: We will proactively participate in planning by automobile manufacturers to develop hybrid vehicles (including plug-in hybrid vehicles) and electric vehicles.

3 Create next-generation products that are a decade ahead

Infrastructure and other power solutions: Working with automobile manufacturers in and outside Japan, we will supply power electronics, including quick chargers for electric four-wheel vehicles and electric motorcycles.

R&D Section

Technology and Development Center

Overview of the Technology and Development Center

The Technology and Development Center handles the basic research and applied research development stages that come before product commercialization. Technological challenges we are working on include developing elemental and module mounting technologies for low-loss devices as well as IC product process technologies and high-efficiency, low-noise power supply circuits. Using simulations, we determine the properties and key points of technologies in development, accumulating knowledge in order to efficiently pass on the results of our work to the business divisions. The product development departments in each segment then use these technologies to create new products optimized for the needs and applications of their markets and customers.



Masahiro Sasaki
Officer

Review of the 14th Medium Term Business Plan

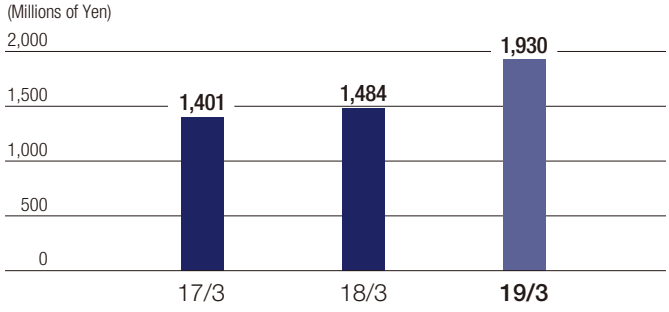
Under the slogan “achieving best-in-industry performance,” we developed IC products for LED lighting and next-generation devices. In particular, we developed IC products for LED lighting with the industry’s lowest total harmonic distortion and the first ultra-low voltage (2V) IC products for automobiles in the industry. Other achievements included DC/DC converters made with GaN that are one third the size of our previous products and low ON resistance SiC-MOSFETs.

* GaN stands for gallium nitride, and SiC stands for silicon carbide. Both are next-generation power semiconductor materials.

R&D

R&D expenses under the medium-term plan were as follows.

R&D



Technological Development Strategy under the New Medium Term Business Plan

Our slogan for R&D strategy under the 15th Medium Term Business Plan is “creating differentiated technologies.” Establishing the technologies for next-generation products is an urgent priority, as emphasized in the Medium Term Business Plan by the key theme “Create next-generation products that are a decade ahead.” By securing technologies that will allow us to differentiate such products as low-loss power devices, power modules and power supply units, we aim to provide new added value to our customers. To meet the needs of new markets, we will further hone our existing technologies while considering bringing in external expertise regarding technologies Shindengen does not possess. These approaches will provide the growth engine for our product development.

The Shindengen Group's

ESG Management

The Shindengen Group's management philosophy is to grow in harmony with society, customers and employees. To that end, we implement ESG management in line with the seven core subjects laid out in ISO 26000, an international standard for social responsibility. These are organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Our ISO 26000-Aligned CSR Initiatives

Core Subject	
Organizational Governance	
Human Rights	
Labor Practices	
The Environment	
Fair Operating Practices	
Consumer Issues	
Community Involvement and Development	

CSR Data

For more details on the Shindengen Group's CSR initiatives, please visit our website.
https://www.shindengen.com/csr/

Board of Directors



President

Yoshinori Suzuki

1982 Joined Shindengen

1996 Managing Director, Shindengen Singapore Pte Ltd.

2007 General Manager, Electronic Device Sales Division, Electronic Device Division Group

2008 Officer; Deputy Division Director, Electronic Device Division Group

2009 Officer, Corporate Planning Group

2009 Director

2013 Division Director, Sales Division Group

2014 Executive Officer

2015 President, Shindengen Device Commerce Co., Ltd.

2016 President (current position)

Director and Senior Executive Officer

Yasumi Negishi

1982 Joined Shindengen

2004 Department Manager, Finance Department

2009 Department Manager, Personnel Department

2012 Director (current position) and Officer

2015 Senior Officer

2015 President, Shindengen Enterprise Co., Ltd.

2016 Executive Officer

2018 Senior Executive Officer (current position)

Director and Executive Officer

Kenji Horiguchi

1983 Joined Shindengen

2003 Associate General Manager, Advanced Power Products Division, Electronic Device Division Group

2005 General Manager, Advanced Power Products Division, Electronic Device Division Group

2008 General Manager, IC Development Center, Technology & Development Division Group

2009 Deputy Division Director, Technology & Development Center

2010 Officer and President, Higashine Shindengen Co., Ltd.

2013 Director (current position)

2016 Senior Officer

2018 Executive Officer (current position)



Director and Executive Officer

Nobuyoshi Tanaka

1985 Joined Shindengen

2006 Department Manager, Planning Department, Corporate Planning Group

2010 Department Manager, Administration Department, Electronic Device Management Division, Electronic Device Division Group

2011 Officer; Division Director, Electronic Device Division Group

2016 Senior Officer

2017 Director (current position)

2018 Executive Officer (current position)

Outside Director

Ichiro Yamada

1974 Joined Nippon Telegraph and Telephone Public Corporation

1985 Doctor of Engineering (University of Tokyo)

2002 Professor, University of Tokyo School of Engineering

2009 Vice President, University of Tokyo

2012 Professor, University of Tokyo Graduate School of Frontier Sciences

2014 Outside Director, Shindengen (current position)

2015 Professor Emeritus, University of Tokyo (current position)

Outside Director

Hideyuki Hashimoto

1991 Joined Chuo Shinkou Audit Corporation

1995 Registered as a certified public accountant

2000 Opened Hashimoto Public Accounting Office

2000 Registered as a certified tax accountant

2007 Joined BDO Toyo & Co.

2014 Partner, BDO Toyo & Co. (current position)

2015 Outside Director, Shindengen (current position)

Corporate Governance

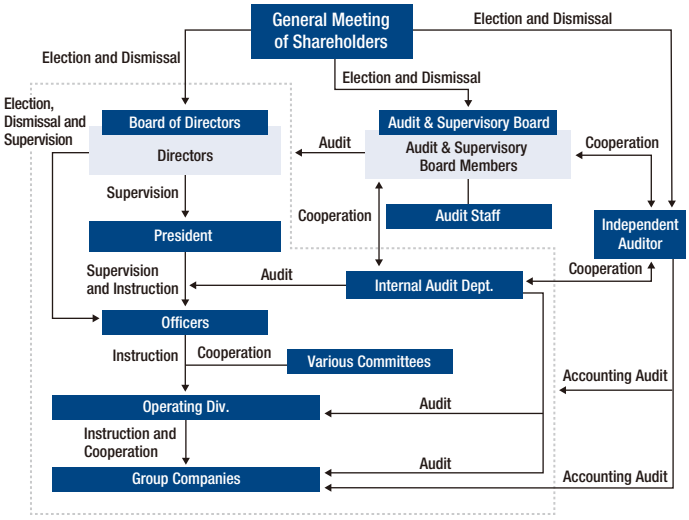
Shindengen positions corporate governance as a central tenet to ensure management transparency, compliance, and a management system able to quickly and accurately adapt to rapid changes in the operating environment. Maintaining and improving this system is one of our fundamental policies.

Corporate Governance System

To ensure that the Board of Directors manages the Company and operates its businesses in a way that serves to increase corporate value over the long term, Shindengen's Articles of Incorporation specify that the Board of Directors must comprise directors with diverse professional backgrounds and insight, and that it is limited to no more than nine directors. In addition, Shindengen ensures that at least two directors, in principle, are outside directors. Furthermore, Shindengen takes steps to strengthen its management system, including limiting director terms to one year and clarifying their responsibilities. We have also introduced an officer system to separate management decision-making and business execution, thereby accelerating these functions and promoting management efficiency while strengthening the supervisory functions of the Board of Directors.

Furthermore, the effectiveness of our internal control system is increased through audits undertaken from an independent standpoint by the Audit & Supervisory Board. Shindengen's management control structure is primarily composed of the Board of Directors, Management Committee, Audit & Supervisory Board, Technology & Quality Control Committee, General Manager Committee and Manager Committee. Through the functional operation of this structure, we seek to accelerate decision-making and promote efficient business activities and thus maintain tightly coordinated management across the entire Group. Furthermore, we have established the CSR Committee and Business Continuity Management (BCM) Committee, each chaired by the president, as part of ongoing efforts to promote social contribution and minimize the impact of disasters and other emergencies. With regard to information disclosure, we work to reinforce IR activities to improve management fairness and transparency.

Status of Corporate Governance



Audit & Supervisory Board Audits

We have adopted an audit & supervisory board system primarily consisting of outside Audit & Supervisory Board members (one full-time member and two outside members) to ensure independence and verify the execution of operations in a fair manner. We maintain a full-time audit staff to support our auditing system. The Audit & Supervisory Board receives accounting audit results from the independent auditor. This maintains the latter's independence and provides oversight and verification to ensure that the accounting audits are being implemented appropriately.

Internal Audits

Shindengen's Corporate Internal Audit Department (comprising the department manager and eight internal auditors) audits the condition and operation of the internal control system in order to ensure effective monitoring of the management activities of the Company and Group companies. The results of these audits are reported to the audited divisions in writing, with requests for improvement where necessary, and compiled into regular reports to the Board of Directors.

The Corporate Internal Audit Department and independent auditor have regular quarterly meetings to report on such topics as audit plans and activities, audits of internal controls over financial reporting, and risk management. Through these measures, we strive to maintain and strengthen an appropriate auditing system based on relevant laws and regulations.

The Corporate Internal Audit Department determines which sites to audit and the scope of items to evaluate through discussion with the independent auditor before executing internal audits. Based on prior discussions between the two, the independent auditor evaluates internal control over financial reporting and reports its findings to the Corporate Internal Audit Department.

In addition, the Audit & Supervisory Board members and independent auditor share information on their respective audit plans to facilitate efficient auditing. The Audit & Supervisory Board members receive information on audits, including quarterly review results and annual audit results, from the independent auditors, which they discuss together.

Accounting Audits

Ernst & Young ShinNihon LLC

Policy and Reasons for Independent Auditor Selection

Ernst & Young ShinNihon LLC was selected after the Audit & Supervisory Board found it well suited in terms of audit performance, audit systems, independence and expertise.

The Audit & Supervisory Board may, by the unanimous consent of its members, dismiss the independent auditor if any of the provisions of Article 340-1 of the Company Law of Japan are deemed to apply. In addition, if the independent auditor is deemed unable to appropriately execute its duties or when other cause warrants, the Company may propose a resolution for the general meeting of shareholders regarding the dismissal of the independent auditor or the non-extension of its audit engagement.

Outside Directors and Outside Audit & Supervisory Board Members

We have two outside directors and two outside Audit & Supervisory Board members. In accordance with the Tokyo Stock Exchange's standards of independence, we select outside directors and outside Audit & Supervisory Board members for their experience, insight and expert knowledge in a variety of fields.

Ichiro Yamada was selected as an outside director for his expert knowledge and rich experience as a university professor, with the expectation that he will be able to provide management with helpful direction and advice.

Hideyuki Hashimoto was selected as an outside director with the expectation that he will use his expert knowledge and rich experience as a certified public accountant and tax accountant to provide management with helpful advice.

Makoto Fujimaki was selected as an outside Audit & Supervisory Board member for his wealth of experience at financial institutions, with the expectation that he will contribute to precise audits based on his broad and sophisticated insight as a seasoned management professional.

Yuichiro Miyake was selected as an outside Audit & Supervisory Board member for his wealth of knowledge and experience in corporate law as an attorney, with the expectation that he will provide management oversight from an objective and impartial standpoint using his experience as an outside director at another Japanese company.

Director and Audit & Supervisory Board Member Compensation

The amounts and methods of calculating the compensation of Shindengen's directors and Audit & Supervisory Board members are decided by the Board of Directors in accordance with internal rules regarding monthly compensation amounts based on such factors as position and years of service, and are set within an upper limit decided by resolution of the general meeting of shareholders. Director compensation is a fixed monthly amount, but can be reduced if operating performance is severely poor or augmented by bonuses when performance is strong. Furthermore, a compensation system for granting Company shares with a set vesting period to directors (excluding outside directors) was approved at the June 27, 2019 General Meeting of Shareholders.

The annual compensation of directors and Audit & Supervisory Board members in fiscal 2018 was as follows.

Basic compensation for six directors (including two outside directors. Does not include the employee salaries of directors who are concurrently employees)	**¥95 million**
Basic compensation for three Audit & Supervisory Board members (including two outside Audit & Supervisory Board members)	**¥41 million**

Constructive Dialog with Shareholders

To foster sustainable growth and improve corporate value over the long term, Shindengen engages in dialog with shareholders within the bounds of practicality. We do the following to facilitate appropriate and constructive dialog with shareholders.

1. The Corporate Planning Group handles investor relations (IR) under the supervision of the Board of Directors and the officer of the Corporate Planning Group.
2. The Corporate Planning Group, Administration Department, Finance Department and Corporate Internal Audit Department coordinate with one another, holding regular liaison meetings to exchange information.
3. In addition to individual meetings, means of engaging in dialog with shareholders include semiannual results briefings for institutional investors.
4. Shareholder and investor opinions gleaned from individual meetings each accounting period are reported to the relevant directors, and especially important matters are reported to the Board of Directors.
5. Shindengen has established regulations to prevent insider trading. These govern the use of non-public information. In accordance with these regulations, we enforce such measures as silent periods in our dialog with investors.

Compliance and Risk Management

We take steps to increase the effectiveness of our compliance and risk management systems. To this end, besides management undertaken by respective management units, cross-functional initiatives are conducted by the Security and Trade Control Committee, the Environment Committee and other standing committees. Moreover, we form committees to address evaluations and audits of our internal control system related to financial reporting in accordance with the Financial Instruments and Exchange Act. We also maintain a crisis management system that promptly reports information on such important risk factors as accidents and disasters to the Board of Directors.

Environmental Initiatives

The Shindengen Group established the Shindengen Global Environmental Charter in 1992, and has long made addressing environmental issues a key management priority. Going forward, we will give consideration to international initiatives and targets aimed at creating a sustainable world, such as the Paris Agreement and Sustainable Development Goals (SDGs). The Group will strive to create eco-friendly products and reduce the environmental burden caused by its business activities in order to help address such social issues as climate change.

FOCUS

Environmental Burden Reduction through Products

Shindengen's 90 kW output quick EV charger is being used in a demonstration project launched by FamilyMart Co., Ltd. aimed at utilizing electric delivery trucks to reduce environmental burden. Shindengen's CHAdeMO Ver.1.2-compatible large output quick EV chargers are the only such products in Japan[1] with an output of up to 90 kW and can charge the CHAdeMO Ver.1.2 EV trucks used in this project in less than a hour.[2]



1. As of January 2019; Shindengen survey.
2. Estimate based on charging from 0% to 80% charge. Actual charging time may vary depending on vehicle model, starting charge, weather conditions and other factors.

Realizing a Low-Carbon Society

In fiscal 2018, Shindengen was once again selected as one of four companies to purchase credits through a project to reduce CO_2 emissions being implemented through the Yamagata prefectural government.[3] The four selected companies are working with the governor of Yamagata on measures to combat global warming. The funds supplied by the purchase of the carbon credits will be used by the prefecture in the coming fiscal year for environmental conservation projects.



3. Under this initiative, the national government certifies reductions in CO_2 and other greenhouse gas emissions achieved via the use of renewable energy generating facilities, providing credits ("J-credits"). Companies can purchase these credits and use them toward their targets for realizing a low-carbon society or for carbon offset.

Energy-Saving Products

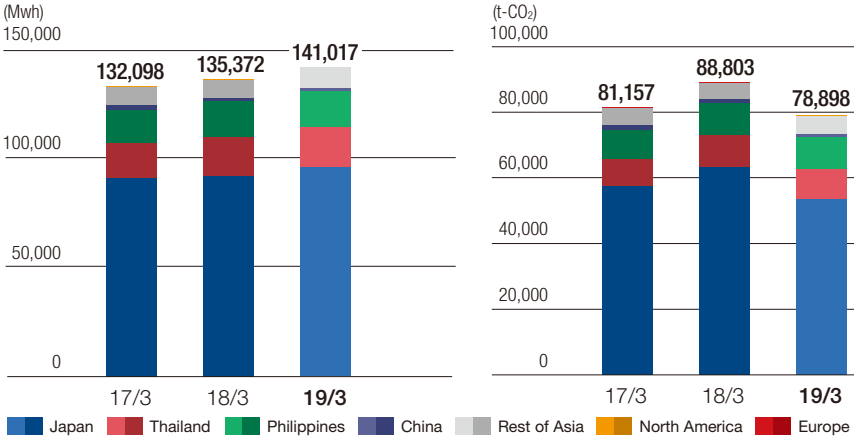
Product	Annual energy savings from use*	Annual CO_2 reduction
IC series products	75,000,000 kWh	36,000 t-CO_2

* Annual energy savings from use = (Annual energy consumption from use of previous series products – annual energy consumption of new series products) × Annual sales volume

Product	Annual fuel consumption reduction (gasoline)*	Annual CO_2 reduction
DC/DC converters for hybrid vehicles	52,265 kl	122,000 t-CO_2

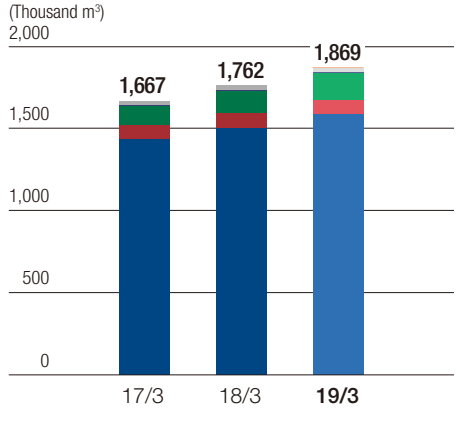
* Annual gasoline consumption reduction = (Annual fuel consumption of a gasoline-powered vehicle (gasoline) – annual fuel consumption of a hybrid electric vehicle (gasoline)) × Vehicles manufactured

Electric Power Consumption



CO_2 Emissions

Water Consumption



Social Initiatives

The Shindengen Group respects international values with regard to human rights and is implementing initiatives to promote human rights, including raising awareness of social issues accompanying economic globalization and employee rights. In accordance with the Group Code of Conduct and internal Group standards, we prioritize workplace safety, the prohibition of harassment, and employee health. We offer career planning support and training for employees while advancing measures to create safer, healthier workplaces that accommodate diverse work styles.

FOCUS

Protecting Human Rights in the Supply Chain

To fulfill its social responsibilities throughout the supply chain, Shindengen works to verify whether or not its products contain conflict minerals* and takes steps to eliminate them. In addition, we issue statements about slave labor and human trafficking based on Section 54 (1) of the UK's Modern Slavery Act.

* Conflict minerals are ores containing gold, tantalum, tin and tungsten mined in the Democratic Republic of the Congo and nearby countries that fund armed groups and anti-government organizations responsible for human rights violations and environmental and other problems.

Response to the Act on Promotion of Women's Participation and Advancement in the Workplace

Shindengen regards diverse human resources, including women, as a source of strength. Accordingly, we have set goals for initiatives in line with the Act on Promotion of Women's Participation and Advancement in the Workplace and are working toward these goals to improve corporate value. The percentage of women among new graduate hires in fiscal 2018 was 30%, up 10 percentage points from fiscal 2017.

Goals for Initiatives Related to the Act on Promotion of Women's Participation and Advancement in the Workplace

1. Raise the percentage of women among new graduate hires to 30%.
2. Actively place female employees in a wide range of divisions and positions.
3. Further promote work-life balance.

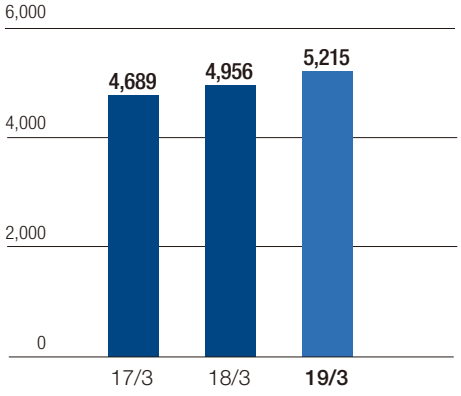
Health and Safety

Shindengen works to improve employee health and safety and enhance health management. In fiscal 2018, we carried out standard first-aid training with the help of local fire departments. We also held a seminar on walking to help prevent locomotive syndrome.

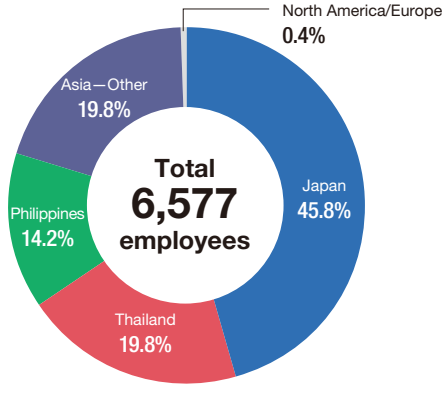




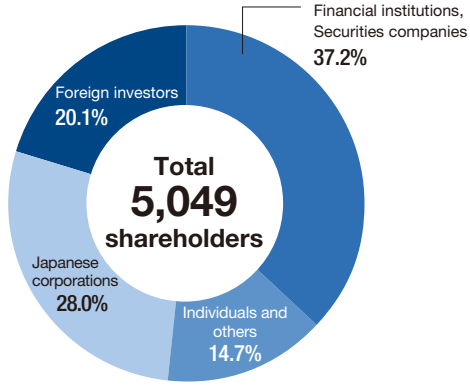
Number of Employees
(Only regular employees)



Employees by Region
(As of March 31, 2019)



Composition of Shareholders
(As of March 31, 2019)



Financial Section

Five-Year Summary

Shindengen Electric Manufacturing Co., Ltd. and its Subsidiaries
(Years ended March 31)

Millions of yen

	2019	2018	2017*	2016	2015
Net sales	¥94,703	¥ 92,177	¥ 90,415	¥ 98,110	¥108,255
Operating income	5,639	6,854	5,103	799	7,674
Profit before income taxes	5,731	7,098	4,813	166	7,861
Profit attributable to owners of parent	3,877	5,294	3,389	205	5,253
Profit attributable to owners of parent per share—basic	¥ 376.41	¥ 513.91	¥ 328.97	¥ 19.90	¥ 509.81
Cash dividends per share for the period (Common stock)**	125.00	125.00	125.00	125.00	100.00
Total assets	¥128,670	¥133,707	¥128,530	¥133,101	¥134,002
Total current assets	79,874	83,404***	81,192	85,118	86,785
Property, plant and equipment	27,496	25,937	25,018	26,551	26,094
Total shareholders' equity	61,112	58,525	54,529	52,355	53,186
Net cash provided by operating activities	3,495	9,335	7,612	10,421	9,027
Net cash used in investing activities	(5,875)	(4,823)	(3,537)	(5,884)	(6,286)
Net cash used in financing activities	(4,604)	(3,025)	(4,430)	(2,865)	(6,541)
Cash and cash equivalents at end of the year	32,505	39,626	38,272	38,905	38,047

* From the year ended March 31, 2018, the Company is translating the revenue and expenses of its overseas consolidated subsidiaries into Japanese yen using the average exchange rate for each currency over the fiscal period under review. Previously, the exchange rates prevailing at the balance sheet date were used. This change has been applied retrospectively to the figures for the year ended March 31, 2017.

** Shindengen executed a share consolidation on October 1, 2017, at a ratio of 10 common shares to one. Per-share figures have been adjusted accordingly.

*** The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) (hereinafter, the "Partial Amendments") for the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

As a result, ¥1,058 million of deferred tax assets in current assets in consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥6,016 million of deferred tax assets in investments respectively.

Management's Discussion and Analysis

Scope of Consolidation

During the fiscal year ended March 31, 2019 (fiscal 2018), the Shindengen Group included the Company, 18 consolidated subsidiaries, two nonconsolidated subsidiaries and two affiliated companies accounted for under the equity method.

Operating Results

Performance Overview

In the principal markets of the Shindengen Group, conditions were firm overall, especially in the mobility area, despite deceleration around the end of the fiscal year.

Under these circumstances, consolidated net sales increased 2.7% year on year to ¥94,703 million. Operating income fell 17.7% to ¥5,639 million, while ordinary income decreased 16.5% to ¥5,981 million. Profit attributable to owners of the parent came to ¥3,877 million, down 26.8% from the previous fiscal year.

Operating Conditions by Business Segment

Electronic Device

In the Electronic Device segment, net sales amounted to ¥34,016 million, down 0.8% year on year, and operating income came to ¥2,577 million, down 40.3%.

Sales in the automobile market were firm overall, despite some signs of weakening near the end of the fiscal year. In the consumer electronics market, sales of products for major household appliances and lighting were solid. However, despite a brisk start, the industrial equipment market saw demand fall considerably, due in part to U.S.-China trade frictions. As a result, segment revenue edged down year on year. Earnings declined, reflecting increased costs arising from capital expenditure and rising materials costs, despite cost cutting efforts.

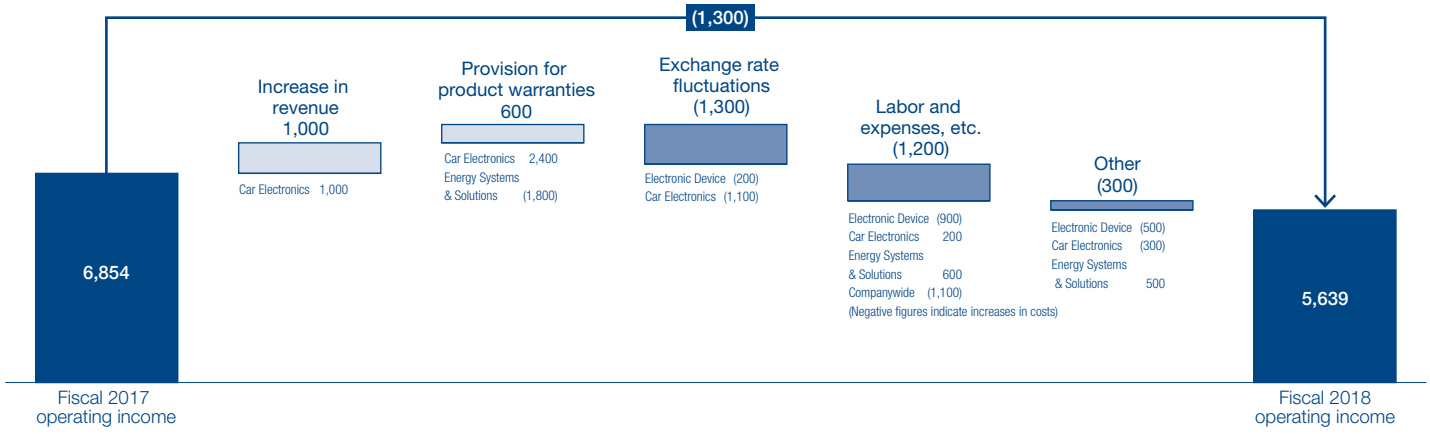
Operating Results

(Millions of Yen)

	Fiscal 2018	Fiscal 2017	Change	Change (%)
Net sales	94,703	92,177	2,526	2.7
Operating income	5,639	6,854	(1,215)	(17.7)
Profit attributable to owners of the parent	3,877	5,294	(1,417)	(26.8)

Overview of Change in Operating Income (Year on Year)

(Millions of Yen)



Car Electronics

In the Car Electronics segment, net sales amounted to ¥51,836 million, up 5.6% year on year, and operating income came to ¥10,007 million, up 29.7%.

Sales of mainstay motorcycle products were largely solid in the ASEAN region, reflecting firm market conditions, and grew in India thanks to the effect of new product introductions early in the fiscal year, despite a temporary slowdown in market growth due to regulation and other factors. Sales of products for four-wheel vehicles were also strong. As a result, overall sales increased year on year. Earnings also increased, reflecting revenue growth and a reversal of operating expenses, despite the depreciation of Asian currencies.

Energy Systems & Solutions

In the Energy Systems & Solutions segment, net sales amounted to ¥7,734 million, up 1.8% year on year, and operating loss came to ¥2,525 million, compared with operating loss of ¥1,945 million in the previous fiscal year.

Performance in this segment was mostly on par with the previous fiscal year, with a slight increase in sales. Despite the positive effects of structural reforms, operating expenses for anticipated inspection and maintenance of certain products recorded under operating expenses caused the segment operating loss to widen.

Other

Other net sales amounted to ¥1,117 million, down 8.1% year on year, and operating income came to ¥45 million, down 32.0%.

For information on the performance of each business segment (excluding Other), please refer to At a Glance on pages 13–14. Note that, except where otherwise specified, intersegment transactions have been eliminated from segment performance throughout this report.

Earnings and Expenses

Fiscal 2018 operating income decreased 17.7% year on year to ¥5,639 million, and the operating income margin declined from 7.4% to 6.0%. This decrease was mainly due to exchange rate fluctuations in the Car Electronics segment, despite revenue growth in that segment, as well as increases in labor and other costs in the Power Device segment.

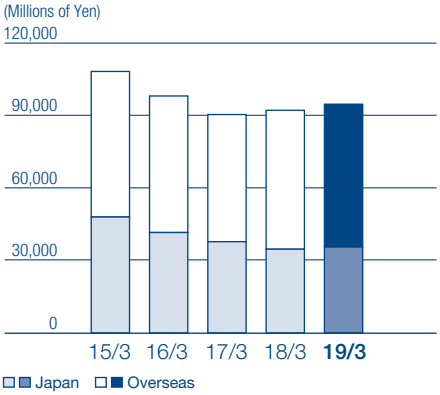
Net other income and expense included ¥420 million in equity in earnings of affiliates, ¥371 million in dividends income and ¥169 million in interest income, but also ¥340 million in foreign exchange losses. Under extraordinary losses, the Company recorded business structure improvement expenses of ¥164 million and impairment loss of ¥86 million. As a result, net other income amounted to ¥92 million, and profit before income taxes came to ¥5,731 million.

Segment Net Sales

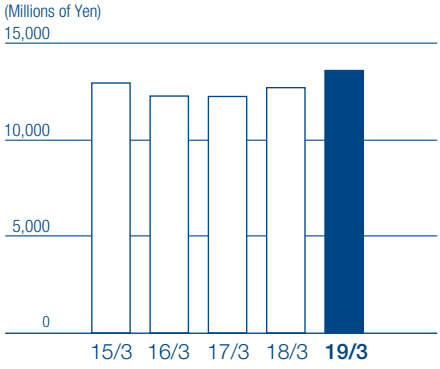
(Millions of Yen)

	Fiscal 2018	Fiscal 2017	Change	Change (%)
Electronic Device	34,016	34,276	(260)	(0.8)
Car Electronics	51,836	49,090	2,746	5.6
Energy Systems & Solutions	7,734	7,596	138	1.8
Other	1,117	1,215	(98)	(8.1)
Total	94,703	92,177	2,526	2.7

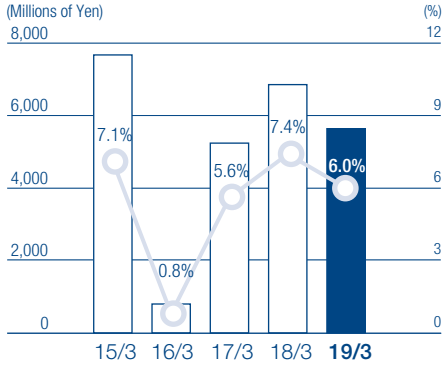
Net Sales



Selling, General and Administrative Expenses



Operating Income Operating Income Margin



Segment Operating Income

(Millions of Yen)

	Fiscal 2018	Fiscal 2017	Change	Change (%)
Electronic Device	2,577	4,316	(1,739)	(40.3)
Car Electronics	10,007	7,717	2,290	29.7
Energy Systems & Solutions	(2,525)	(1,945)	(580)	—
Other	45	66	(21)	(32.0)
Adjustments and eliminations*	(4,465)	(3,300)	(1,164)	—
Total	5,639	6,854	(1,215)	(17.7)

* The figures shown above for adjustments and eliminations include corporate expenses not allocated to the reportable segments. Corporate expenses comprise mainly general and administration expenses not attributable to the reportable segments.

After subtracting income taxes, profit attributable to owners of the parent amounted to ¥3,877 million, and net income per share decreased from ¥513.91 in fiscal 2017 to ¥376.41. As a result, the net income margin fell from 5.7% in fiscal 2017 to 4.1%, and ROE fell from 9.4% to 6.5%.

Comprehensive income came to ¥1,592 million, compared with the previous fiscal year's ¥6,463 million.

Financial Position

Assets, Liabilities and Net Assets

Total assets as of March 31, 2019 stood at ¥128,670 million, down ¥5,037 million year on year. This was mainly due to decreases in cash and deposits.

Total liabilities at the end of the fiscal year were down ¥5,338 million year on year to ¥69,200 million. This was mainly attributable to decreases in long-term loans payable and provision for product warranties.

Total net assets at the end of the fiscal year under review stood at ¥59,470 million, up ¥301 million from a year prior. This was mainly because of an increase in capital surplus.

As a result, net assets per share were ¥5,774.08.

Cash Flows

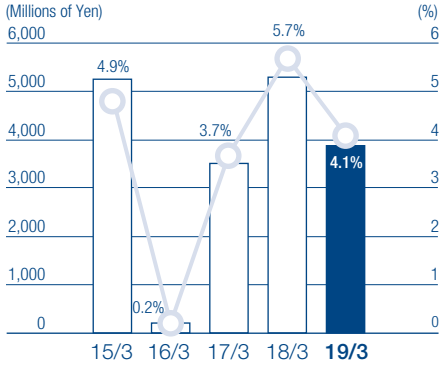
Cash and cash equivalents (net cash) at the end of the fiscal year under review came to ¥32,505 million, a decrease of ¥7,121 million from the end of fiscal 2017. This was the result of ¥3,495 million in cash provided by operating activities, ¥5,875 million in net cash used in investing activities, and ¥4,604 million in net cash used in financing activities.

Net cash provided by operating activities was ¥3,495 million, compared with ¥9,335 million in the previous fiscal year. This was mainly due to profit before income taxes of ¥5,731 million, along with depreciation and amortization of ¥4,972 million.

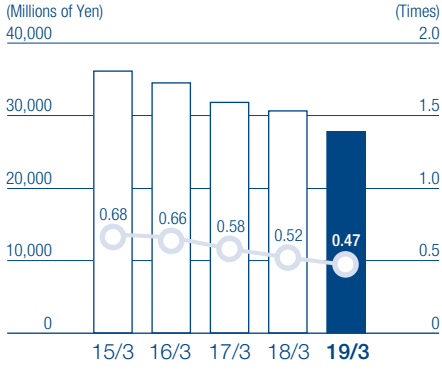
Net cash used in investing activities was ¥5,875 million, compared with ¥4,823 million in the previous fiscal year. This was due mainly to ¥5,990 million used in the purchase of property, plant and equipment.

Net cash used in financing activities was ¥4,604 million, compared with ¥3,025 million in the previous fiscal year. Proceeds of ¥2,500 million from long-term loans payable and ¥2,438 million from issuance of bonds were offset by the scheduled repayment of ¥7,475 million in long-term loans payable, ¥500 million used for the redemption of bonds and ¥1,287 million in cash dividends paid.

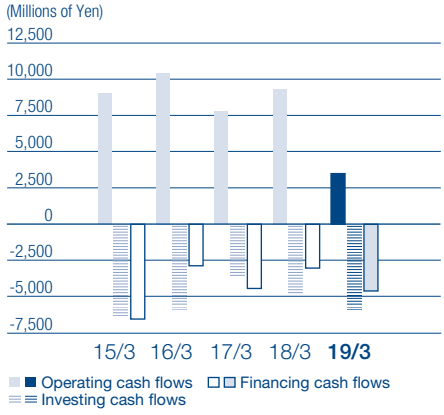
Profit Attributable to Owners of Parent Ratio to Net Sales



Interest-Bearing Debt D/E Ratio



Cash Flows



Consolidated Balance Sheets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
At March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
ASSETS			
Current assets:			
Cash and deposits (Notes 4, 6)	**¥ 25,505**	¥ 33,059	**$ 229,755**
Notes and accounts receivable-trade (Note 6)	**19,044**	19,337	**171,554**
Less: Allowance for doubtful accounts	**(19)**	(20)	**(168)**
	19,025	19,317	**171,386**
Securities (Notes 6, 7)	**7,000**	7,000	**63,057**
Inventories (Note 5)	**23,760**	20,047	**214,039**
Other	**4,584**	3,981	**41,285**
Total current assets	**79,874**	83,404	**719,522**
Property, plant and equipment:			
Buildings and structures (Note 8)	**8,094**	8,295	**72,913**
Machinery, equipment and vehicles (Note 8)	**8,700**	7,642	**78,369**
Land	**5,770**	5,879	**51,974**
Lease assets-tangible (Notes 8, 20)	**948**	837	**8,540**
Construction in progress	**2,202**	1,541	**19,833**
Other, net (Note 8)	**1,782**	1,743	**16,057**
Property, plant and equipment	**27,496**	25,937	**247,686**
Investments and other assets:			
Investment securities (Notes 6, 7)	**13,674**	16,033	**123,174**
Deferred tax assets (Note 13)	**5,505**	6,016	**49,591**
Software	**955**	973	**8,607**
Lease assets-intangible (Note 20)	**1**	6	**5**
Allowance for doubtful accounts	**(49)**	(47)	**(437)**
Other	**1,214**	1,385	**10,933**
Total investments and other assets	**21,300**	24,366	**191,873**
Total assets	**¥128,670**	¥133,707	**$1,159,081**

The accompanying notes are an integral part of the statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable-trade (Note 6)	**¥ 15,284**	¥ 14,495	**$ 137,681**
Short-term loans payable (Notes 6, 9)	**5,750**	7,425	**51,797**
Current portion of bonds (Notes 6, 9)	**975**	500	**8,783**
Lease obligations (Notes 6, 9)	**281**	257	**2,528**
Income taxes payable (Note 6)	**62**	934	**559**
Provision for bonuses	**1,111**	1,133	**10,012**
Other	**6,668**	6,564	**60,074**
Total current liabilities	**30,131**	31,308	**271,434**
Noncurrent liabilities:			
Bonds payable (Notes 6, 9)	**6,300**	4,775	**56,752**
Long-term loans payable (Notes 6, 9)	**13,725**	17,025	**123,638**
Lease obligations (Notes 6, 9)	**745**	658	**6,713**
Deferred tax liabilities (Note 13)	**129**	100	**1,158**
Liability for retirement benefits (Note 10)	**15,305**	16,084	**137,872**
Provision for product warranties	**2,691**	4,414	**24,237**
Asset retirement obligations	**141**	142	**1,272**
Other	**32**	31	**287**
Total noncurrent liabilities	**39,068**	43,229	**351,929**
Contingent liabilities (Note 12)			
Net assets (Note 22):			
Shareholders' equity:			
Capital stock	**17,823**	17,823	**160,554**
Capital surplus	**7,739**	7,739	**69,712**
Retained earnings	**35,696**	33,106	**321,554**
Treasury stock	**(146)**	(143)	**(1,312)**
Total shareholders' equity	**61,112**	58,525	**550,508**
Accumulated other comprehensive income (loss):			
Unrealized holding gain on available-for-sale securities	**1,720**	3,633	**15,492**
Foreign currency translation adjustment	**(1,659)**	(710)	**(14,948)**
Retirement benefits liability adjustments	**(1,702)**	(2,278)	**(15,334)**
Total accumulated other comprehensive income (loss)	**(1,641)**	645	**(14,790)**
Total net assets	**59,471**	59,170	**535,718**
Total liabilities and net assets	**¥ 128,670**	¥ 133,707	**$1,159,081**
Per share of common stock:			
Net assets (Yen) (U.S. dollars)	**¥5,774.08**	¥5,744.60	**$ 52.01**

Consolidated Statements of Income and Comprehensive Income

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
Net sales	**¥94,703**	¥92,177	**$853,106**
Cost of sales (Note 15)	**75,483**	72,630	**679,966**
Gross profit	**19,220**	19,547	**173,140**
Selling, general and administrative expenses (Notes 14, 15)	**13,581**	12,693	**122,343**
Operating income	**5,639**	6,854	**50,797**
Other income (expense):			
Interest income	**169**	122	**1,522**
Dividends income	**371**	324	**3,338**
Royalty income	**24**	52	**212**
Equity in earnings of affiliates	**420**	411	**3,784**
Interest expenses	**(238)**	(312)	**(2,147)**
Foreign exchange losses	**(340)**	(255)	**(3,063)**
Business structure improvement expenses (Note 14)	**(164)**	—	**(1,478)**
Impairment loss (Note 17)	**(86)**	(66)	**(771)**
Other, net	**(64)**	(32)	**(566)**
	92	244	**831**
Profit before income taxes	**5,731**	7,098	**51,628**
Income taxes (Note 13):			
Current	**709**	1,656	**6,390**
Deferred	**1,145**	148	**10,313**
Total income taxes	**1,854**	1,804	**16,703**
Profit	**3,877**	5,294	**34,925**
Profit attributable to owners of parent	**¥ 3,877**	¥ 5,294	**$ 34,925**

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
Profit attributable to owners of parent	**¥ 3,877**	¥ 5,294	**$34,925**
Other comprehensive income			
Unrealized holding loss (gain) on available-for-sale securities	**(1,912)**	979	**(17,233)**
Foreign currency translation adjustment	**(931)**	(47)	**(8,385)**
Retirement benefits liability adjustments	**576**	343	**5,188**
Share of other comprehensive loss of affiliates accounted for using equity method	**(18)**	(106)	**(166)**
Total other comprehensive income (Note 18)	**(2,285)**	1,169	**(20,596)**
Comprehensive income	**¥ 1,592**	¥ 6,463	**$14,329**
Comprehensive income attributable to:			
Owners of parent	**¥ 1,592**	¥ 6,463	**$14,329**
Non-controlling interests	**—**	—	**—**

	Yen		U.S. dollars (Note 3)
	2019	2018	**2019**
Per share of common stock [Notes 2 (13), 23]:			
Profit attributable to owners of parent:			
Basic	**¥376.41**	¥513.91	**$ 3.39**
Diluted	**—**	—	**—**
Cash dividends per share for the period (Common stock)	**125.00**	125.00	**1.13**
Weighted average number of ordinary shares (thousands)	**10,300**	10,301	

Note: A share consolidation of the Company's common stock was implemented at a ratio of 1 share per 10 shares on October 1, 2017.
The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2019 and 2018

Millions of yen

	Shareholders' equity					
	Number of shares issued (Note 22)	Capital stock	Capital surplus	Retained earnings	Treasury stock (Note 22)	Total shareholders' equity
Balance at March 31, 2017	103,389	¥17,823	¥7,739	¥29,100	¥(133)	¥54,529
Cash dividends paid				(1,288)		(1,288)
Profit attributable to owners of parent				5,294		5,294
Purchase of treasury stock					(10)	(10)
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2018	10,339	17,823	7,739	33,106	(143)	58,525
Cash dividends paid				**(1,287)**		**(1,287)**
Profit attributable to owners of parent				**3,877**		**3,877**
Purchase of treasury stock					**(3)**	**(3)**
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2019	**10,339**	**¥17,823**	**¥7,739**	**¥35,696**	**¥(146)**	**¥61,112**

Millions of yen

	Accumulated other comprehensive income (loss)				
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits liability adjustments (Note 10)	Total accumulated other comprehensive income (loss)	Total net assets
Balance at March 31, 2017	¥ 2,653	¥ (557)	¥(2,621)	¥ (525)	¥54,004
Cash dividends paid					(1,288)
Profit attributable to owners of parent					5,294
Purchase of treasury stock					(10)
Net changes in items other than those in shareholders' equity	980	(153)	343	1,170	1,170
Balance at March 31, 2018	3,633	(710)	(2,278)	645	59,170
Cash dividends paid					**(1,287)**
Profit attributable to owners of parent					**3,877**
Purchase of treasury stock					**(3)**
Net changes in items other than those in shareholders' equity	**(1,912)**	**(949)**	**576**	**(2,285)**	**(2,285)**
Balance at March 31, 2019	**¥ 1,720**	**¥(1,659)**	**¥(1,702)**	**¥(1,641)**	**¥59,471**

The accompanying notes are an integral part of the statements.

Thousands of U.S. dollars

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock (Note 22)	Total shareholders' equity
Balance at March 31, 2018	$160,554	$69,712	$298,228	$(1,292)	$527,202
Cash dividends paid			**(11,599)**		**(11,599)**
Profit attributable to owners of parent			**34,925**		**34,925**
Purchase of treasury stock				**(20)**	**(20)**
Net changes in items other than those in shareholders' equity					
Balance at March 31, 2019	**$160,554**	**$69,712**	**$321,554**	**$(1,312)**	**$550,508**

Thousands of U.S. dollars

	Accumulated other comprehensive income (loss)				
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits liability adjustments (Note 10)	Total accumulated other comprehensive income (loss)	Total net assets
Balance at March 31, 2018	$ 32,725	$ (6,397)	$(20,522)	$ 5,806	$533,008
Cash dividends paid					**(11,599)**
Profit attributable to owners of parent					**34,925**
Purchase of treasury stock					**(20)**
Net changes in items other than those in shareholders' equity	**(17,233)**	**(8,551)**	**5,188**	**(20,596)**	**(20,596)**
Balance at March 31, 2019	**$ 15,492**	**$(14,948)**	**$(15,334)**	**$(14,790)**	**$535,718**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
Operating activities:			
Profit before income taxes	**¥ 5,731**	¥ 7,098	**$ 51,628**
Depreciation and amortization	**4,972**	4,520	**44,788**
Bond issuance cost	**62**	64	**559**
Impairment loss	**86**	66	**771**
Decrease (increase) in provision for bonuses	**(21)**	204	**(193)**
Decrease in provision for product warranties	**(1,724)**	(1,056)	**(15,526)**
Increase in liability for retirement benefits	**37**	126	**337**
Interest and dividends income	**(540)**	(446)	**(4,860)**
Interest expenses	**238**	312	**2,147**
Decrease in notes and accounts receivable-trade	**(10)**	(150)	**(87)**
Decrease in inventories	**(4,059)**	(1,847)	**(36,565)**
Decrease in consumption taxes refund receivable	**(379)**	(283)	**(3,411)**
Increase (decrease) in accounts receivable-other	**17**	(127)	**157**
Increase in notes and accounts payable-trade	**1,101**	407	**9,921**
Loss on disposal of property, plant and equipment	**38**	21	**338**
Other, net	**(392)**	1,197	**(3,546)**
Sub total	**5,157**	10,106	**46,458**
Interest and dividends received	**566**	458	**5,094**
Interest paid	**(239)**	(306)	**(2,157)**
Income taxes paid	**(1,989)**	(923)	**(17,908)**
Net cash provided by operating activities	**3,495**	9,335	**31,487**
Investing activities:			
Purchases of investment securities	**—**	(20)	**—**
Proceeds from sales of investment securities	**0**	3	**0**
Purchase of property, plant and equipment	**(5,990)**	(4,091)	**(53,956)**
Proceeds from sales of property, plant and equipment	**5**	37	**48**
Purchase of intangible assets	**(320)**	(751)	**(2,884)**
Other, net	**430**	(1)	**3,865**
Net cash used in investing activities	**(5,875)**	(4,823)	**(52,927)**
Financing activities:			
Proceeds from long-term loans payable	**2,500**	3,500	**22,520**
Repayment of long-term loans payable	**(7,475)**	(7,289)	**(67,336)**
Proceeds from issuance of bonds	**2,438**	2,436	**21,962**
Redemption of bonds	**(500)**	(150)	**(4,504)**
Purchase of treasury stock	**(2)**	(8)	**(19)**
Repayment for finance lease obligations	**(277)**	(226)	**(2,497)**
Cash dividends paid	**(1,287)**	(1,288)	**(11,599)**
Net cash used in financing activities	**(4,604)**	(3,025)	**(41,473)**
Effect of exchange rate change on cash and cash equivalents	**(137)**	(133)	**(1,231)**
Net decrease (increase) in cash and cash equivalents	**(7,121)**	1,354	**(64,144)**
Cash and cash equivalents at beginning of the year	**39,626**	38,272	**356,956**
Cash and cash equivalents at end of the year (Note 4)	**¥32,505**	¥39,626	**$292,812**

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries

1. Basis of presentation

(1) Accounting principles and presentation

The accompanying consolidated financial statement of Shindengen Electric Manufacturing Co., Ltd. (the "Company") and its subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the applications and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau (a regional branch organization of the Ministry of Finance in Japan) have been reclassified in these accounts for the convenience of readers outside Japan.

Certain items in the prior years' financial statements have been reclassified to conform to the current year's presentation.

(2) Scope of consolidation

The Company had 20 subsidiaries (controlling companies-companies whose decision-making is controlled) as of March 31, 2019 and had 20 subsidiaries as of March 31, 2018.

The consolidated financial statements for the years ended March 31, 2019 and 2018 include the accounts of the Company and its 18 subsidiaries, respectively.

The major consolidated subsidiaries were listed below.

	Equity ownership percentage
• Akita Shindengen Co., Ltd.	100.0%
• Higashine Shindengen Co., Ltd.	100.0%
• Okabe Shindengen Co., Ltd.	100.0%
• Lumphun Shindengen Co., Ltd.	100.0%
• Shindengen (Thailand) Co., Ltd.	100.0%

In the accompanying consolidated financial statements, the accounts of the 11 overseas subsidiaries at December 31, 2018 and for the year then ended were consolidated with the accounts of the Company at March 31, 2019 and for the year then ended, as their fiscal year ends on December 31.

The remaining 2 unconsolidated subsidiaries as of March 31, 2019 were insignificant in terms of total assets, net sales, profit or loss and retained earnings and therefore have been excluded from consolidation.

The major unconsolidated subsidiary was listed below.

• Shindengen Lao Co., Ltd.

(3) Elimination and consolidation

For the purpose of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated, and the portion attributable to non-controlling interests is charged (credited) to non-controlling interests.

(4) Investments in unconsolidated subsidiaries and affiliates

The Company had 2 unconsolidated subsidiaries and 2 affiliates (influencing companies-companies whose financial and operating or business decision making can be influenced to a material degree, and which are not subsidiaries) at March 31, 2019.

The investments in 2 affiliates are accounted for using the equity method. Investments in unconsolidated subsidiaries not accounted for using the equity method are stated at cost less impairment loss, due to their insignificant effect on the consolidated financial statements.

The major affiliate accounted for by the equity method was listed below.

• Shindengen Mechatronics Co., Ltd.

(5) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

Assets, liabilities and net assets of overseas subsidiaries are translated into Japanese yen using the exchange rates prevailing at the balance sheet date except shareholders' equity, which is translated at the historical rates.

Differences in Japanese yen amounts arising from the use of different exchange rates are presented as "Foreign currency translation adjustment" in the accompanying consolidated financial statements.

(6) Revaluation of assets and liabilities of subsidiaries

The Company adopts the "full fair value method" in which all assets and liabilities of the subsidiaries are remeasured at fair value as of the acquisition of the control.

(7) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits, which are able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

2. Summary of significant accounting policies

(1) Financial instruments

(A) Securities

Securities held by the Company and its subsidiaries are classified into two categories: "held-to maturity", or "other securities". Held-to maturity securities are carried at cost.

Mark-to-market accounting is adopted for other securities. In accordance with this method, these securities with market quotations are carried at fair value that is reasonably determinable based on current market

quotes on the balance sheet date, with net unrealized gains and losses, net of related tax, reported separately in net assets. Realized gains or losses on securities sold are determined based on the moving-average method. If fair value is not available, securities are carried at cost, which is determined by the moving-average method.

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 the value is not deemed temporary, these securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(B) Derivatives

All derivatives are carried at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments".

(2) Inventories

Inventories held by the Company and the domestic consolidated subsidiaries are carried at cost, which is determined principally by the average method (reducing book value of inventories when their contribution to profitability declines).

Inventories held by overseas consolidated subsidiaries are valued at the lower of cost or market value, which is determined by the moving average method.

(3) Depreciation method for tangible assets (excluding lease assets)

Depreciation for property, plant and equipment held by the Company and its domestic consolidated subsidiaries is calculated using the declining-balance method. Depreciation of property, plant and equipment held by overseas consolidated subsidiaries is calculated primarily by the straight-line method.

The estimated useful lives of assets are principally as follows:

- Buildings - 3 to 50 years
- Machinery and equipment - 4 to 10 years

(4) Amortization method for intangible assets (excluding lease assets)

Amortization for software and other intangible assets is calculated based on the straight-line method over 5 years of their estimated useful lives.

(5) Depreciation method for lease assets

Depreciation for lease assets is calculated based on the straight-line method over the lease period assuming no residual value.

(6) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience over a certain period.

(7) Provision for bonuses

Provision for bonuses is provided based on the amount of expected future payments of bonuses, attributable to the fiscal year.

(8) Provision for product warranties

The Company estimates and accrues the costs of warranty repair for products sold in reserve for future expenses.

(9) Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

The unrecognized prior service costs are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the year in which they arise, and unrecognized actuarial differences are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the next year in which they arise.

(10) Foreign currency translation

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

(11) Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Hedging instruments are interest rate swap transactions and hedged items are interest of loans payable. The Companies enter into interest rate swap transactions in order to reduce future interest rate risks from financial liabilities.

(12) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Companies adopt deferred tax accounting. Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax bases of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with a deduction of the valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(13) Profit attributable to owners of parent per share

Profit attributable to owners of parent per share is based upon the weighted average number of shares of common stock outstanding less the number of treasury stock during each period.

(14) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(15) Change in presentation

Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) (hereinafter, the "Partial Amendments") for the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

As a result, ¥1,058 million of deferred tax assets in current assets in consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥6,016 million of deferred tax assets in investments respectively.

Also, "Note 13 Income Taxes" in the Notes to the consolidated financial statements has been expanded in accordance with Note 8 and Note 9 of Interpretive Note to Accounting for Tax Effect Accounting. However, comparative information for the year ended March 31, 2018 has not been disclosed in Note 13 in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

(16) Accounting standards issued but not yet effective

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition." (ASBJ Statement No.29) and "Implementation Guidance on Accounting Standard for Revenue Recognition." (ASBJ Guidance No.30).

(A) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

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

(B) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(C) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluation the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

3.United States dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥ 111.01=U.S. $ 1, the approximate rate of exchange prevailing at 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 rate or any other rate.

4.Cash flow information

Cash and cash equivalents as of March 31, 2019 and 2018 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Cash and deposits	**¥25,505**	¥33,059	**$229,755**
Securities (Certificate of deposit)	**7,000**	7,000	**63,057**
Time deposits with deposit term of over 3 months	**—**	(433)	**—**
Cash and cash equivalents	**¥32,505**	¥39,626	**$292,812**

Significant finance lease transactions without cash flow for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Lease assets	**¥385**	¥512	**$3,470**
Lease obligations	**409**	546	**3,683**

5. Inventories

Inventories held by the Companies as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Finished products	**¥ 8,431**	¥ 7,243	**$ 75,947**
Raw materials	**10,625**	9,094	**95,711**
Work in process	**4,704**	3,709	**42,381**
	¥23,760	¥20,046	**$214,039**

The cost of sales includes write-downs of inventories of ¥395 million ($3,558 thousand), and ¥821 million for the years ended March 31, 2019 and 2018, respectively, reflecting reduced profitability of inventory held for normal sales purposes.

6.Financial instruments

① Overview

(1) Policy for financial instruments

The Companies raise funds mainly through bank borrowings and issuing bonds. The Companies manage temporary cash surpluses through low-risk and short-term financial assets. The Companies uses derivatives for the purpose of reducing risks, and does not enter into derivatives for speculative purposes.

(2) Types of financial instruments and related risk

Trade receivables (notes and accounts receivable-trade) are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Held-to-maturity securities (certificate of deposit) are exposed to credit risk, but the Companies believe that it is insignificant as it enters only with financial institutions which have a sound credit profile.

Investment securities (mainly composed of the shares of common stock) are exposed to market risk.

Trade payables (notes and accounts payable-trade) have payment due dates within 1 year. Trade payables denominated in foreign currency are exposed to foreign currency exchange risk.

Short-term loans payable are raised mainly in connection with funding the working capital. Long-term loans payable, bonds payable, and lease obligations are taken out mainly for the purpose of making capital investments, settled within 10 years from the balance sheet date, and partially exposed to interest rate fluctuation risk.

Regarding derivatives, the Companies enter into forward foreign exchange contracts to reduce future foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The forward exchange contracts volume is limited to the balance of each asset or liability denominated in foreign currencies. The Companies enter into interest rate swap transactions to reduce future interest rate risks deriving from financial assets or liabilities. The amount of the swap contracts is limited to the balance of the underlying financial assets or liabilities. Forward foreign exchange contracts are exposed to currency rate fluctuation risks. Interest rate swap transactions are exposed to interest rate risks.

Information regarding the method of hedge accounting, hedging instruments, hedged items, and hedging policy is disclosed in “Hedge accounting”.

(3) Risk management for financial instruments

(A) Monitoring of credit risks (default of the customers, or other)

In accordance with the Company’s internal rule “Management rule of operating receivables”, the Sales Dept. and Finance Dept. periodically monitor the balance of transactions involving main customers, as a part of balance management, and grasp at an early stage any increase in customer credit risks from deterioration in financial condition or other phenomenon. In the subsidiary companies, there are almost the same management systems according to “Management rule of operating receivables”. The Companies also believe that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(B) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company has “Management rule of derivatives” that sets forth basic policy, procedures, and upper position limits on derivative transactions. Based on this rule, the Finance Dept. executes derivative contracts. The status of each transaction is reported at the board of director’s meeting on a quarterly basis. The same rule is adopted and followed by its subsidiaries. For marketable securities and investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company monitors the market price for stocks with market values on a quarterly basis.

(C) Monitoring of liquidity risk (the risk that the Companies may not be able to meet their obligations on scheduled due dates)

The Company prepares and updates its cash flow plans on a timely basis, and maintains the liquidity on hand to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 18, Derivatives and hedging activities, are not necessarily indicative of the actual market risk involved in derivative transactions.

② Estimated fair value of financial instruments

Carrying value, estimated fair value, and unrealized gain (loss) of financial instruments on the consolidated financial balance sheets as of March 31, 2019, and 2018 are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included (Please refer to Note 2 below).

Millions of yen

	2019		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	**¥25,505**	**¥25,505**	**¥ —**
(2) Notes and accounts receivable-trade	**19,044**	**19,044**	**—**
(3) Securities (Certificate of deposit)	**7,000**	**7,000**	**—**
(4) Income taxes receivable	**883**	**883**	**—**
(5) Investment securities	**10,436**	**10,436**	**—**
Assets total	**62,868**	**62,868**	**—**
(1) Notes and accounts payable-trade	**15,284**	**15,284**	**—**
(2) Short-term loans payable	**5,750**	**5,750**	**—**
(3) Current portion of bonds	**975**	**975**	**—**
(4) Lease obligations (short-term)	**281**	**281**	**—**
(5) Income taxes payable	**62**	**62**	**—**
(6) Bonds payable	**6,300**	**6,266**	**(34)**
(7) Long-term loans payable	**13,725**	**13,789**	**64**
(8) Lease obligations (long-term)	**745**	**690**	**(55)**
Liabilities total	**¥43,122**	**¥43,097**	**¥(25)**
Derivatives (Note)	**¥ (11)**	**¥ (11)**	**¥ —**

Millions of yen

	2018		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	¥33,059	¥33,059	¥ —
(2) Notes and accounts receivable-trade	19,337	19,337	—
(3) Securities (Certificate of deposit)	7,000	7,000	—
(4) Income taxes receivable	485	485	—
(5) Investment securities	13,190	13,190	—
Assets total	73,071	73,071	—
(1) Notes and accounts payable-trade	14,495	14,495	—
(2) Short-term loans payable	7,425	7,425	—
(3) Current portion of bonds	500	500	—
(4) Lease obligations (short-term)	257	257	—
(5) Income taxes payable	934	934	—
(6) Bonds payable	4,775	4,777	2
(7) Long-term loans payable	17,025	17,019	(6)
(8) Lease obligations (long-term)	658	607	(51)
Liabilities total	¥46,069	¥46,014	¥(55)
Derivatives (Note)	¥ 4	¥ 4	¥ —

Thousands of U.S. dollars

	2019		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	**$229,755**	**$229,755**	**$ —**
(2) Notes and accounts receivable-trade	**171,554**	**171,554**	**—**
(3) Securities (Certificate of deposit)	**63,057**	**63,057**	**—**
(4) Income taxes receivable	**7,950**	**7,950**	**—**
(5) Investment securities	**94,007**	**94,007**	**—**
Assets total	**566,323**	**566,323**	**—**
(1) Notes and accounts payable-trade	**137,681**	**137,681**	**—**
(2) Short-term loans payable	**51,797**	**51,797**	**—**
(3) Current portion of bonds	**8,783**	**8,783**	**—**
(4) Lease obligations (short-term)	**2,528**	**2,528**	**—**
(5) Income taxes payable	**559**	**559**	**—**
(6) Bonds payable	**56,752**	**56,443**	**(309)**
(7) Long-term loans payable	**123,638**	**124,210**	**572**
(8) Lease obligations (long-term)	**6,713**	**6,216**	**(497)**
Liabilities total	**$388,451**	**$388,217**	**$(234)**
Derivatives (Note)	**$ (103)**	**$ (103)**	**$ —**

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

Note 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

(2) Notes and accounts receivable-trade

(3) Securities (Certificate of deposit)

(4) Income taxes receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

(5) Investment securities

The fair value of stocks held as other securities is based on quoted market prices. Information of marketable securities and investments classified by holding purpose are disclosed in “securities”.

(Liabilities)

(1) Notes and accounts payable-trade

(2) Short-term loans payable

(3) Current portion of bonds

(4) Lease obligations (short term)

(5) Income taxes payable

Since these items are settled in a short period of time, their carrying value approximates fair value.

(6) Bonds payable

(8) Lease obligations (long-term)

The fair values of bonds payable and lease obligations are based on the present values of the total of principal and interest discounted by an interest rate determined, taking into account their remaining period, and credit risks of the Company itself.

(7) Long-term loans payable

The fair values of long-term loans payable are based on the present value of the total of principal and interest discounted by an interest rate determined, taking into account their remaining period, and credit risks of the Company itself. Since the deferral hedge accounting has been applied, the market value of interest swap contracts is included in fair value of the long-term loans payable with floating interest rates.

(Derivatives)

Disclosed in “Derivatives and hedging activities”

Note 2. Financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unlisted stocks	**¥3,238**	¥2,843	**$29,167**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above “(5) Investment securities”.

Note 3. Redemption schedule for receivables.

Millions of yen

March 31, 2019	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**¥25,464**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable-trade	**19,044**	**—**	**—**	**—**
Securities (Certificate of deposit)	**7,000**	**—**	**—**	**—**
Total	**¥51,508**	**¥—**	**¥—**	**¥—**

Millions of yen

March 31, 2018	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥33,049	¥—	¥—	¥—
Notes and accounts receivable-trade	19,337	—	—	—
Securities (Certificate of deposit)	7,000	—	—	—
Total	¥59,386	¥—	¥—	¥—

Thousands of U.S. dollars

March 31, 2019	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**$229,389**	**$—**	**$—**	**$—**
Notes and accounts receivable-trade	**171,554**	**—**	**—**	**—**
Securities (Certificate of deposit)	**63,057**	**—**	**—**	**—**
Total	**$464,000**	**$—**	**$—**	**$—**

Note 4. The redemption schedule for bonds payable, long-term loans payable, lease obligations (long-term), and other liabilities.

Millions of yen

March 31, 2019	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
Short-term loans payable	**¥5,750**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Current portion of bonds	**975**	**—**	**—**	**—**	**—**	**—**
Lease obligations (short-term)	**281**	**—**	**—**	**—**	**—**	**—**
Bonds payable	**—**	**1,475**	**1,525**	**1,450**	**1,100**	**750**
Long-term loans payable	**—**	**4,475**	**3,850**	**2,850**	**1,475**	**1,075**
Lease obligations (long-term)	**—**	**249**	**325**	**92**	**75**	**4**
Total	**¥7,006**	**¥6,199**	**¥5,700**	**¥4,392**	**¥2,650**	**¥1,829**

Millions of yen

March 31, 2018	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
Short-term loans payable	¥7,425	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of bonds	500	—	—	—	—	—
Lease obligations (short-term)	257	—	—	—	—	—
Bonds payable	—	975	1,100	1,025	950	725
Long-term loans payable	—	5,800	4,225	3,350	2,350	1,300
Lease obligations (long-term)	—	217	184	202	50	5
Total	¥8,182	¥6,992	¥5,509	¥4,577	¥3,350	¥2,030

Thousands of U.S. dollars

March 31, 2019	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years
Short-term loans payable	**$51,797**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Current portion of bonds	**8,783**	**—**	**—**	**—**	**—**	**—**
Lease obligations (short-term)	**2,528**	**—**	**—**	**—**	**—**	**—**
Bonds payable	**—**	**13,287**	**13,738**	**13,062**	**9,909**	**6,756**
Long-term loans payable	**—**	**40,312**	**34,682**	**25,673**	**13,287**	**9,684**
Lease obligations (long-term)	**—**	**2,243**	**2,933**	**824**	**674**	**39**
Total	**$63,108**	**$55,842**	**$51,353**	**$39,559**	**$23,870**	**$16,479**

7. Securities

Information regarding securities classified as held-to-maturity securities and other securities (stock) as of March 31, 2019 and 2018 are as follows:

Held-to-maturity securities (Certificate of deposit)

Millions of yen

	2019		
	Carrying value	Fair value	Unrealized gain (loss)
Securities with carrying value exceeding fair value	**¥ —**	**¥ —**	**¥—**
Securities with carrying value not exceeding fair value	**7,000**	**7,000**	**—**
Total	**¥7,000**	**¥7,000**	**¥—**

Millions of yen

	2018		
	Carrying value	Fair value	Unrealized gain (loss)
Securities with carrying value exceeding fair value	¥ —	¥ —	¥—
Securities with carrying value not exceeding fair value	7,000	7,000	—
Total	¥7,000	¥7,000	¥—

Thousands of U.S. dollars

	2019		
	Carrying value	Fair value	Unrealized gain (loss)
Securities with carrying value exceeding fair value	**$ —**	**$ —**	**$—**
Securities with carrying value not exceeding fair value	**63,057**	**63,057**	**—**
Total	**$63,057**	**$63,057**	**$—**

Other securities (stock)

Millions of yen

	2019		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	**¥10,250**	**¥7,819**	**¥2,431**
Other securities with carrying values not exceeding acquisition costs	**186**	**200**	**(14)**
Total	**¥10,436**	**¥8,019**	**¥2,417**

	Millions of yen		
	2018		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	¥13,187	¥8,015	¥5,172
Other securities with carrying values not exceeding acquisition costs	2	3	(1)
Total	¥13,189	¥8,018	¥5,171

	Thousands of U.S. dollars		
	2019		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	**$92,333**	**$70,431**	**$21,902**
Other securities with carrying values not exceeding acquisition costs	**1,674**	**1,804**	**(130)**
Total	**$94,007**	**$72,235**	**$21,772**

Unlisted stocks are not included in the above tables because there are no quoted market prices available and it is extremely difficult to determine the fair value.

Carrying values of securities without fair value as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2018	**2019**
Unlisted stocks	**¥78**	¥78	**$703**

8. Accumulated depreciation

The accumulated depreciation of property, plant and equipment as of March 31, 2019 and 2018 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2018	**2019**
Property, plant and equipment	**¥87,602**	¥86,257	**$789,133**

9. Short-term borrowings and long-term debt

Short-term borrowings and long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2019	2018	**2019**
Current portion of long-term debt	**¥ 5,750**	¥ 7,425	**$ 51,797**
Current portion of bonds	**975**	500	**8,783**
Current portion of lease obligations	**281**	257	**2,528**
Long-term debt	**20,770**	22,458	**187,103**
	¥27,776	¥30,640	**$250,211**

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

	Millions of yen	Thousands of U.S. dollars
	2019	2018	**2019**
Long-term loans from banks and other financial institutions	**¥19,475**	¥24,450	**$175,436**
0.55% bonds due June 30, 2021	**225**	325	**2,027**
0.49% bonds due September 30, 2022	**350**	450	**3,153**
0.23% bonds due June 30, 2023	**425**	500	**3,828**
0.14% bonds due March 31, 2023	**600**	750	**5,405**
0.14% bonds due June 30, 2023	**675**	750	**6,081**
0.051% bonds due March 29, 2024	**1,000**	1,000	**9,008**
0.059% bonds due June 28, 2024	**1,000**	1,000	**9,008**
0.25% bonds due June 28, 2024	**500**	500	**4,504**
0.330% bonds due June 30, 2025	**500**	—	**4,504**
0.072% bonds due March 31, 2025	**1,000**	—	**9,008**
0.082% bonds due June 30, 2025	**1,000**	—	**9,008**
Lease obligations	**1,026**	915	**9,241**
	27,776	30,640	**250,211**
Less: Current portion	**(7,006)**	(8,182)	**(63,108)**
	¥20,770	¥22,458	**$187,103**

The approximate weighted average interest rate of long-term loans from banks as of March 31, 2019 is 1.0%.

The aggregate annual maturity of long-term debt outstanding as of March 31, 2019 during the succeeding five-year period (except within one year) is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥6,199	$55,842
2021	5,700	51,353
2022	4,392	39,559
2023	2,650	23,870

10. Retirement plans and severance indemnities

The Company and its consolidated domestic subsidiaries have a funded pension program to cover the employees' retirement benefits. The amount of such retirement benefits is determined by reference to the latest rate of pay, length of service and conditions under which retirement occurs.

Certain overseas subsidiaries provide defined contribution pension plans.

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Balance at the beginning of the year	**¥28,066**	¥27,006	**$252,821**
Service cost	**1,445**	1,389	**13,020**
Interest cost	**83**	81	**751**
Past service cost	**(271)**	82	**(2,448)**
Actuarial gain or loss	**—**	64	**—**
Retirement benefit paid	**(812)**	(517)	**(7,315)**
Other	**(36)**	(39)	**(324)**
Balance at the end of the year	**¥28,475**	¥28,066	**$256,505**

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Balance at the beginning of the year	**¥11,981**	¥10,558	**$107,929**
Expected return on plan assets	**38**	34	**341**
Actuarial gain or loss	**188**	278	**1,692**
Contributions by the Company	**1,410**	1,387	**12,703**
Retirement benefits paid	**(432)**	(268)	**(3,895)**
Other	**(16)**	(8)	**(137)**
Balance at the end of the year	**¥13,169**	¥11,981	**$118,633**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2019 and 2018 for the Company's and consolidated subsidiaries' defined benefit plans.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Funded retirement benefit obligation	**¥15,745**	¥15,534	**$141,835**
Plan assets as fair value	**(13,169)**	(11,981)	**(118,633)**
	2,576	3,553	**23,202**
Unfunded retirement benefit obligation	**12,729**	12,531	**114,670**
Net liability for retirement benefits in the balance sheet	**15,305**	16,084	**137,872**
Liability for retirement benefits	**15,305**	16,084	**137,872**
Net liability for retirement benefits in the balance sheet	**¥15,305**	¥16,084	**$137,872**

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
	2019	2018	**2019**
Service cost	**¥1,445**	¥1,389	**$13,020**
Interest cost	**83**	81	**751**
Expected return on plan assets	**(38)**	(34)	**(342)**
Amortization of actuarial difference	**347**	359	**3,129**
Amortization of prior service cost	**8**	1	**69**
Other	**(1)**	1	**(15)**
Retirement benefit expense	**¥1,844**	¥1,797	**$16,612**

The components of retirement benefits liability adjustments (before tax effect), included in other comprehensive income (loss) for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Actuarial difference	**¥797**	¥572	**$7,184**
Prior service cost	**8**	(81)	**69**
Total	**¥805**	¥491	**$7,253**

The components of retirement benefits liability adjustments included 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
	2019	2018	**2019**
Unrecognized prior service cost	**¥ 86**	¥ 94	**$ 775**
Unrecognized actuarial difference	**2,354**	3,151	**21,202**
Total	**¥2,440**	¥3,245	**$21,977**

The fair value of plan assets, by major categories, as a percentage of total plan assets as of March 31, 2019 and 2018 are as follows:

	2019	2018
Bonds	**65%**	66%
Stocks	**22%**	27%
Cash on hand and in banks	**6%**	7%
Other	**7%**	0%
Total	**100%**	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2019	2018
Discount rates	**0.2%-0.3%**	0.2%-0.3%
Expected rates of return on plan assets	**0.2%-0.3%**	0.2%-0.3%
Expected future salary increases rates	**2.6%-4.2%**	2.4%-3.7%

The Company and certain consolidated subsidiaries' contributions for defined contribution plans are as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Defined contribution plans	**¥151**	¥144	**$1,359**

11. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Investments in securities (Stocks)	**¥3,160**	¥2,765	**$28,464**
Other (Investments in capital)	**103**	103	**925**

12. Contingent liabilities

The Companies were contingently liable for guarantees of housing loans of employees as of March 31, 2019 and 2018 as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Housing loans of employees	**¥36**	¥46	**$322**

13. Income taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 32.4% for the years ended March 31, 2019 and 2018. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rate for the years ended March 31, 2019 and 2018 as follows:

	2019	2018
Statutory tax rate	**30.6%**	30.9%
Effect of:		
Non-deductible items such as entertainment	**0.8**	0.6
Non-deductible items such as entertainment, dividend received	**(7.6)**	(4.0)
Dividend received from overseas consolidated subsidiaries	**—**	5.0
Special tax credit	**—**	(2.0)
Different tax rate applied to overseas consolidated subsidiaries	**(3.2)**	(2.8)
Gain (loss) of valuation allowance	**12.1**	—
Others	**(0.3)**	(2.3)
Effective tax rate	**32.4%**	25.4%

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred tax assets:			
Liability for retirement benefits	**¥4,598**	¥4,834	**$41,421**
Depreciation and amortization	**372**	323	**3,352**
Provision for bonuses	**340**	347	**3,066**
Allowance for doubtful accounts	**14**	13	**125**
Loss on valuation of inventories	**295**	281	**2,657**
Impairment loss	**197**	197	**1,776**
Loss carried forward for tax purposes	**158**	—	**1,422**
Other	**2,022**	2,667	**18,209**
Subtotal of deferred tax assets	**7,996**	8,662	**72,028**
Valuation allowance for net operating loss carryforwards (Note 2)	**(158)**	—	**(1,422)**
Valuation allowance for deductible temporary differences (Note 1)	**(1,528)**	—	**(13,769)**
Less valuation allowance	**(1,686)**	(996)	**(15,191)**
Total of deferred tax assets	**6,310**	7,666	**56,837**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(698)**	(1,535)	**(6,283)**
Goodwill	**—**	—	**—**
Asset retirement obligations	**(2)**	(2)	**(17)**
Other	**(233)**	(213)	**(2,104)**
Total of deferred tax liabilities	**(933)**	(1,750)	**(8,404)**
Net deferred tax assets	**¥5,377**	¥5,916	**$48,433**

Notes: 1. Among the changes in valuation allowances for the current period, the main reason for this is expected to be recoverable due to the difficulty in scheduling the fiscal year for which the deductible temporary differences will be utilized in the future for product warranty provisions recorded in the current period.
2. A breakdown of net operating loss carryforwards and valuation allowance by expire dates as of March 31, 2019 is as follows;

Millions of yen

March 31, 2019	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**	**¥158**	**¥158**
Valuation allowance	**—**	**—**	**—**	**—**	**—**	**(158)**	**(158)**
Deferred tax asset	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Thousands of U.S. dollars

March 31, 2019	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	**$—**	**$—**	**$—**	**$—**	**$—**	**$1,422**	**$1,422**
Valuation allowance	**—**	**—**	**—**	**—**	**—**	**(1,422)**	**(1,422)**
Deferred tax asset	**—**	**—**	**—**	**—**	**—**	**—**	**—**

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

14. Business structure improvement expenses

Business structure improvement expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Special severance payment	**¥164**	¥—	**$1,478**

15. Major items in selling, general and administrative expenses

Major items in selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Freight and transportation	**¥2,102**	¥1,984	**$18,932**
Employees' salaries and wages	**2,956**	2,699	**26,627**
Provision for bonuses	**196**	184	**1,767**
Net pension expenses related to retirement benefits	**419**	415	**3,772**
Research and development expenses	**2,880**	2,656	**25,947**

16. Research and development expenses

Research and development expenses charged to income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Research and development expenses	**¥5,562**	¥5,496	**$50,106**

17. Impairment loss

For the years ended March 31, 2019 and 2018, the Company recognized impairment loss on the following asset groups.

(Summary of assets group which recognized impairment loss)

For the year ended March 31, 2019

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Energy System business	Building, Machinery, etc.	Hanno-shi Saitama-ken	**¥86**	**$771**

For the year ended March 31, 2018

Use	Type of assets	Location	Millions of yen
Idle assets	Land, Building, etc.	Oishida-chou Yamagata-ken	¥46
Idle assets	Machinery	Hanno-shi Saitama-ken	¥20

(Recognition of impairment loss)

For the year ended March 31, 2019, the carrying amount of the manufacturing equipment of "Energy System business" product was reduced to the recoverable amount, due to the significant decline of the profitability of the assets group. As a result, the Company recognized the impairment loss. The detail of the impairment loss is as follows;

For the year ended March 31, 2019

Type of assets	Millions of yen	Thousands of U.S. dollars
Equipment	**¥59**	**$528**
Machinery	**21**	**189**
Software	**5**	**47**
Building	**1**	**7**
Total	**¥86**	**$771**

For the year ended March 31, 2018, the carrying amount of idle assets was reduced to the recoverable amount, due to a decline in the fair value. As a result, the Company recognized impairment loss. The details of impairment loss are as follows;

For the year ended March 31, 2018

Type of assets	Millions of yen
Land	¥28
Machinery	20
Building	15
Structure	3
Total	¥66

(Assets grouping)

The assets grouping was based on the management accounting classification, taking into account the cash flow interaction from the similarity of manufacturing processes.

(Calculation of recoverable amount)

For the years ended March 31, 2019 and 2018, the recoverable amount of the idle assets was measured at the net sales value primarily calculated in accordance with "Japanese Real Estate Appraisal Standards" and adjusted by "assessed value of fixed assets under property tax".

18. Comprehensive income

Reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unrealized holding gain on available-for-sale securities			
Amount arising during the year	**¥(2,753)**	¥1,413	**$(24,807)**
Reclassification adjustments to profit or loss	**4**	—	**33**
Amount before income tax effect	**(2,749)**	1,413	**(24,774)**
Income tax effect	**837**	(434)	**7,541**
Total	**(1,912)**	979	**(17,233)**
Foreign currency translation adjustment			
Amount arising during the year	**(931)**	(47)	**(8,385)**
Retirement benefits liability adjustments			
Amount arising during the year	**450**	131	**4,055**
Reclassification adjustments to profit or loss	**355**	360	**3,198**
Amount before income tax effect	**805**	491	**7,253**
Income tax effect	**(229)**	(148)	**(2,065)**
Total	**576**	343	**5,188**
Share of other comprehensive income (loss) of affiliates accounted for using equity method			
Amount arising during the year	**(18)**	(106)	**(166)**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**(18)**	(106)	**(166)**
Income tax effect	**0**	—	**0**
Total	**(18)**	(106)	**(166)**
Total other comprehensive income	**¥(2,285)**	¥1,169	**$(20,596)**

19. Derivatives and hedging activities

Outstanding forward currency exchange contracts at March 31, 2019 and 2018 are shown below, except transactions accounted for using hedge accounting.

Millions of yen

At March 31, 2019	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Thai baht	**¥655**	**¥(1)**	**¥(1)**
Indonesia rupiah	**604**	**(5)**	**(5)**
Vietnamese dong	**347**	**(6)**	**(6)**

Millions of yen

At March 31, 2018	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Indonesia rupiah	¥952	¥2	¥2
Thai baht	274	0	0
Vietnamese dong	150	1	1

Thousands of U.S. dollars

At March 31, 2019	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Thai baht	**$5,900**	**$ (8)**	**$ (8)**
Indonesia rupiah	**5,437**	**(43)**	**(43)**
Vietnamese dong	**3,129**	**(52)**	**(52)**

(Calculation of fair value)

- Forward currency exchange contracts

The estimated fair value of these forward currency exchange contracts was determined using forward foreign exchange rate at March 31, 2019 and 2018.

Interest rate swap contracts accounted for using hedge accounting at March 31, 2019 and 2018 are as follows:

Millions of yen

At March 31, 2019	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	**¥10,175**	**¥6,975**	**¥—**

Millions of yen

At March 31, 2018	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	¥13,275	¥9,175	¥—

Thousands of U.S. dollars

At March 31, 2019	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	**$91,658**	**$62,832**	**$—**

Note: Interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria were not re-measured at market value and the fair value of such interest rate swap contracts were included in that of the long-term loans payable.

20. Leases

(Finance lease transactions which do not transfer ownership of the assets)

The leased tangible assets were principally research and development equipments (machinery), and the leased intangible asset was software.

Depreciation of leased assets is calculated as disclosed in Note 2 (5).

21. Segment information

(1) Reportable segment overview

The Company's reportable operating segments are components of an entity for which separate financial information is available, and they are evaluated regularly by the board of directors in determining the allocation of management resources and in assessing performance.

The Company formulates comprehensive domestic and overseas strategies for the products that its business divisions provide.

The Company's business is organized into three reportable segments — Device business, Car Electronics business and Energy System Energy business — which form the base of its business divisions.

The Device business manufactures diodes, thyristors, MOSFET, high-withstand voltage power ICs and power modules. The Car Electronics business mainly manufactures electronics components for motorcycles and automobiles, along with general purpose inverters. The Energy System business which used to recognize as "The Next Generation Energy business", primarily manufactures power conditioners for photovoltaic generators, power storage systems, recharging stands for electric vehicles, power supplies for information and communication equipment.

(2) Method of calculating sales, income (loss), identifiable assets/liabilities and other items by reportable segment

The accounting method for calculating sales, income (loss), identifiable assets / liabilities and other items by reportable segment is based on the same method applied to consolidated financial statements. Income by reportable segment is based on operating income. In addition, inter-segment sales and transfers are primarily based on market prices or manufacturing costs.

(3) Net sales and income or loss and assets by reportable segment

Millions of yen

For the year ended March 31, 2019	Device business	Car Electronics business	Energy System business	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	¥34,016	¥51,836	¥7,734	¥1,117	¥ 94,703	¥ —	¥94,703
Inter-segment	6,458	44	—	—	6,502	(6,502)	—
Total	40,474	51,880	7,734	1,117	101,205	(6,502)	94,703
Segment income (loss)	2,577	10,007	(2,525)	45	10,104	(4,465)	5,639
Segment assets	38,926	32,195	6,195	329	77,645	51,025	128,670
Depreciation and amortization	2,851	1,421	228	—	4,500	472	4,972
Increase in property, plant and equipment and intangible assets	3,894	1,892	303	—	6,089	886	6,975

Thousands of U.S. dollars

For the year ended March 31, 2019	Device business	Car Electronics business	Energy System business	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	$306,426	$466,951	$69,669	$10,059	$853,105	$ —	$ 853,105
Inter-segment	58,173	400	—	—	58,573	(58,573)	—
Total	364,599	467,351	69,669	10,059	911,678	(58,573)	853,105
Segment income (loss)	23,210	90,143	(22,747)	409	91,015	(40,218)	50,797
Segment assets	350,655	290,021	55,804	2,961	699,441	459,640	1,159,081
Depreciation and amortization	25,683	12,804	2,054	—	40,541	4,247	44,788
Increase in property, plant and equipment and intangible assets	35,074	17,044	2,735	—	54,853	7,981	62,834

Notes: 1. The “Other” category includes business activities not included in the reportable segments, such as solenoid business.

2. Details of “Adjustments and eliminations” are below:

(1) Segment loss totaling ¥4,465 million ($40,218 thousand) posted under “Adjustments and eliminations” includes “Corporate expenses” that have not been allocated to the reportable segment. “Corporate expenses” are primarily general and administrative expenses that cannot be attributed to any reportable segments.

(2) Segment assets totaling ¥51,025 million ($459,640 thousand) posted under “Adjustments and eliminations” comprise corporate assets of ¥50,742 million ($457,094 thousand) not allocated to the reportable segments and other adjustments of ¥283 million ($2,546 thousand).

(3) Depreciation and amortization totaling ¥472 million ($4,247 thousand) posted under “Adjustments and eliminations” mainly comprises corporate expenses not attributable to the reportable segments.

(4) The increases in property, plant and equipment and intangible assets amounting to ¥886 million ($7,981 thousand) posted under “Adjustments and eliminations” mainly comprises corporate assets not attributable to the reportable segments.

3. Segment income (loss) is adjusted to operating income stated on the Consolidated Statement of Income and Comprehensive Income for the year ended March 31, 2019

Millions of yen

For the year ended March 31, 2018	Device business	Car Electronics business	Energy System business	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	¥34,276	¥49,090	¥7,596	¥1,215	¥92,177	¥ —	¥92,177
Inter-segment	5,669	19	—	—	5,688	(5,688)	—
Total	39,945	49,109	7,596	1,215	97,865	(5,688)	92,177
Segment income (loss)	4,316	7,717	(1,945)	66	10,154	(3,300)	6,854
Segment assets	36,283	30,345	5,923	387	72,938	60,769	133,707
Depreciation and amortization	2,209	1,571	284	0	4,064	456	4,520
Increase in property, plant and equipment and intangible assets	3,206	913	174	—	4,293	1,761	6,054

Notes: 1. The "Other" category includes business activities not included in the reportable segments, such as solenoid business.
2. Details of "Adjustments and eliminations" are below:
(1) Segment loss totaling ¥3,300 million posted under "Adjustments and eliminations" includes "Corporate expenses" that have not been allocated to the reportable segment. "Corporate expenses" are primarily general and administrative expenses that cannot be attributed to any reportable segments.
(2) Segment assets totaling ¥60,769 million posted under "Adjustments and eliminations" comprise corporate assets of ¥60,543 million not allocated to the reportable segments and other adjustments of ¥226 million.
(3) Depreciation and amortization totaling ¥456 million posted under "Adjustments and eliminations" mainly comprises corporate expenses not attributable to the reportable segments.
(4) The increases in property, plant and equipment and intangible assets amounting to ¥1,761 million posted under "Adjustments and eliminations" mainly comprises corporate assets not attributable to the reportable segments.
3. Segment income (loss) is adjusted to operating income stated on the Consolidated Statement of Income and Comprehensive Income for the year ended March 31, 2018

(Related Information)

1. Information by finished product and service

The corresponding information is identical to data disclosed under "Segment Information." Accordingly, this information has been omitted.

2. Information by geographic segment

(1) Net sales

For the year ended March 31, 2019

Millions of yen

Japan	Indonesia	Vietnam	Asia (other)	Other area	Total
¥35,571	**¥12,910**	**¥10,593**	**¥30,766**	**¥4,863**	**¥94,703**

For the year ended March 31, 2018

Millions of yen

Japan	Indonesia	Vietnam	Asia (other)	Other area	Total
¥34,676	¥13,052	¥10,002	¥29,237	¥5,210	¥92,177

For the year ended March 31, 2019

Thousands of U.S. dollars

Japan	Indonesia	Vietnam	Asia (other)	Other area	Total
$320,433	**$116,296**	**$95,425**	**$277,145**	**$43,806**	**$853,105**

Note: Net sales are based on the location of customers classified according to country or region.

(2) Property, plant and equipment

As of March 31, 2019

Millions of yen

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
¥18,366	**¥3,353**	**¥1,694**	**¥4,074**	**¥9**	**¥27,496**

As of March 31, 2018

Millions of yen

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
¥17,819	¥3,008	¥1,994	¥3,107	¥9	¥25,937

As of March 31, 2019

Thousands of U.S. dollars

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
$165,449	**$30,209**	**$15,259**	**$36,698**	**$71**	**$247,686**

(3) Information by major customer

For the years ended March 31, 2019 and 2018, the major customer that accounted for 10% or more of total net sales recorded in the Consolidated Statements of Income and Comprehensive Income is as follows.

For the year ended March 31, 2019

Millions of yen

Major Customer	Net Sales	Segment
PT Astra Honda Motor	**¥11,364**	Car Electronics business
Honda Vietnam Co., Ltd	**¥ 9,946**	Car Electronics business

For the year ended March 31, 2018

Millions of yen

Major Customer	Net Sales	Segment
PT Astra Honda Motor	¥11,364	Car Electronics business
Honda Vietnam Co., Ltd	¥ 9,267	Car Electronics business

For the year ended March 31, 2019

Thousands of U.S. dollars

Major Customer	Net Sales	Segment
PT Astra Honda Motor	**$102,372**	Car Electronics business
Honda Vietnam Co., Ltd	**$ 89,595**	Car Electronics business

(Information of impairment loss on property, plant and equipment by reportable segment)

For the year ended March 31, 2019

Millions of yen

	Device business	Car Electronics business	Energy System business	Other	Adjustments and Eliminations	Total
Impairment loss	**¥—**	**¥—**	**¥86**	**¥—**	**¥—**	**¥86**

For the year ended March 31, 2018

Millions of yen

	Device business	Car Electronics business	Energy System business	Other	Adjustments and Eliminations	Total
Impairment loss	¥—	¥—	¥20	¥—	¥46	¥66

For the year ended March 31, 2019

Thousands of U.S. dollars

	Device business	Car Electronics business	Energy System business	Other	Adjustments and Eliminations	Total
Impairment loss	**$—**	**$—**	**$771**	**$—**	**$—**	**$771**

(Information of amortization and balance of goodwill by reportable segment)

For the year ended March 31, 2019

No current report

For the year ended March 31, 2018

Millions of yen

	Device business	Car Electronics business	Energy System business	Other	Adjustments and Eliminations	Total
Amortization of goodwill	¥15	¥—	¥—	¥—	¥—	¥15
Goodwill as of March 31, 2018	—	—	—	—	—	—

For the year ended March 31, 2019

No current report

22. Consolidated statements of changes in net assets

(1) Categories and numbers of stock issued

For the year ended March 31, 2019

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares issued)				
Common stock	**10,339**	**—**	**—**	**10,339**
Total	**10,339**	**—**	**—**	**10,339**

Note: The decrease in the number of shares is due to the consolidation of shares.

For the year ended March 31, 2018

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares issued)				
Common stock	103,389	—	93,050	10,339
Total	103,389	—	93,050	10,339

(2) Categories and numbers of treasury stock

For the year ended March 31, 2019

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares of treasury stock)				
Common stock	**39**	**0**	**—**	**39**
Total	**39**	**0**	**—**	**39**

Note: The decrease in the number of shares is due to the consolidation of shares.

For the year ended March 31, 2018

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares of treasury stock)				
Common stock	375	4	340	39
Total	375	4	340	39

(3) Dividends

(A) Dividends paid for the year ended March 31, 2019

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 28, 2018	Common stock	**¥1,288 million**	**¥125.00**	March 31, 2018	June 29, 2018

(B) Dividends paid for the year ended March 31, 2018

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2017	Common stock	¥1,288 million	¥12.5	March 31, 2017	June 30, 2017

(C) Dividends with the cut-off date in the year ended March 31, 2019 and the effective date in the year ending March 31, 2020

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 27, 2019	Common stock	**¥1,288 million**	**¥125.00**	March 31, 2019	June 29, 2019

(D) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year endedi March 31, 2019

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 28, 2018	Common stock	¥1,288 million	¥125.00	March 31, 2018	June 29, 2018

23. Profit attributable to owners of parent per share

The calculation of profit attributable to owners of parent per share for the years ended March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Profit attributable to owners of parent	**¥ 3,877**	¥5,294	**$34,925**
Amounts not attributable to common stock	**—**	—	**—**
Profit attributable to owners of parent to common stock	**3,877**	5,294	**34,925**
Weighted average number of ordinary shares (thousands)	**10,300**	10,301	

Diluted profit attributable to owners of parent per share was not calculated herein since the Company had no dilutive securities, such as convertible bonds or warrants.

24. Introduction of Restricted Stock Compensation Plan

The Board of Directors at the meeting held on May 12, 2019, reviewed the executive compensation plan of the Company and decided to introduce a restricted stock compensation plan ("the Compensation Plan"). This proposal regarding the Compensation Plan was submitted at the 95th General Meeting of Shareholders held on June 27, 2019, and the Compensation Plan was approved there.

(1) Purpose and conditions related to introducing the Compensation Plan

The Compensation Plan was introduced in order to promote sharing values with shareholders, enhance corporate governance and provide incentives to the Company's Directors (excluding outside directors, "Eligible Directors") to strive to continually increase the Company's corporate value.

(2) Overview of the Compensation Plan

The Eligible Directors shall make in-kind contribution of all monetary compensation receivables to be granted according to the Compensation Plan, and shall receive the Company's common stocks that will be issued or treasury stocks that will be disposed by the Company.

The total amount of monetary compensation receivables to be paid to Eligible Directors based on the Compensation Plan shall not exceed \60 million per year (however, this does not include the portion of employee's salary for directors who concurrently serve as employees).

The total number of shares to be newly issued or disposed under the Compensation Plan shall not exceed 40,000 shares per year (however, in the event of a stock split [including allotment of the Company's common stocks without contribution] or a reverse split effective the day after resolution at the General Meeting of Shareholders or thereafter, the total number of shares may be reasonably adjusted on the effective date or thereafter according to the ratio of the stock split or reverse stock split). Basically the amount to be paid per share shall be the closing price of common stocks of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on said business day) and shall be determined by the Board of Directors within a range that is not particularly advantageous to the Eligible Directors receiving the Company's common stocks.

The condition of such issuance or disposal of common stocks of the Company under the Compensation Plan includes an agreement restricting transfer between the Company and the Eligible Director where receive restricted stock compensation that includes (1) prohibition of transfer of the shares to a third party, establishment of security interests or other such disposal for a certain period of time and (2) a provision that the Company may acquire the shares without contribution under certain circumstance. The shares shall be managed by the Eligible Directors in a dedicated account opened so that the shares cannot be transferred, cannot be secured or otherwise disposed during the period in which transfer is restricted.

Independent Auditor's Report

Ernst & Young ShinNihon LLC
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Building a better working world

Independent Auditor's Report

The Board of Directors
Shindengen Electric Manufacturing Co., Ltd.

We have audited the accompanying consolidated financial statements of Shindengen Electric Manufacturing Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income and 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 Shindengen Electric Manufacturing Co., Ltd. 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 3.

Ernst & Young ShinNihon LLC

June 27, 2019

A member firm of Ernst & Young Global Limited

Corporate Information

As of March 31, 2019

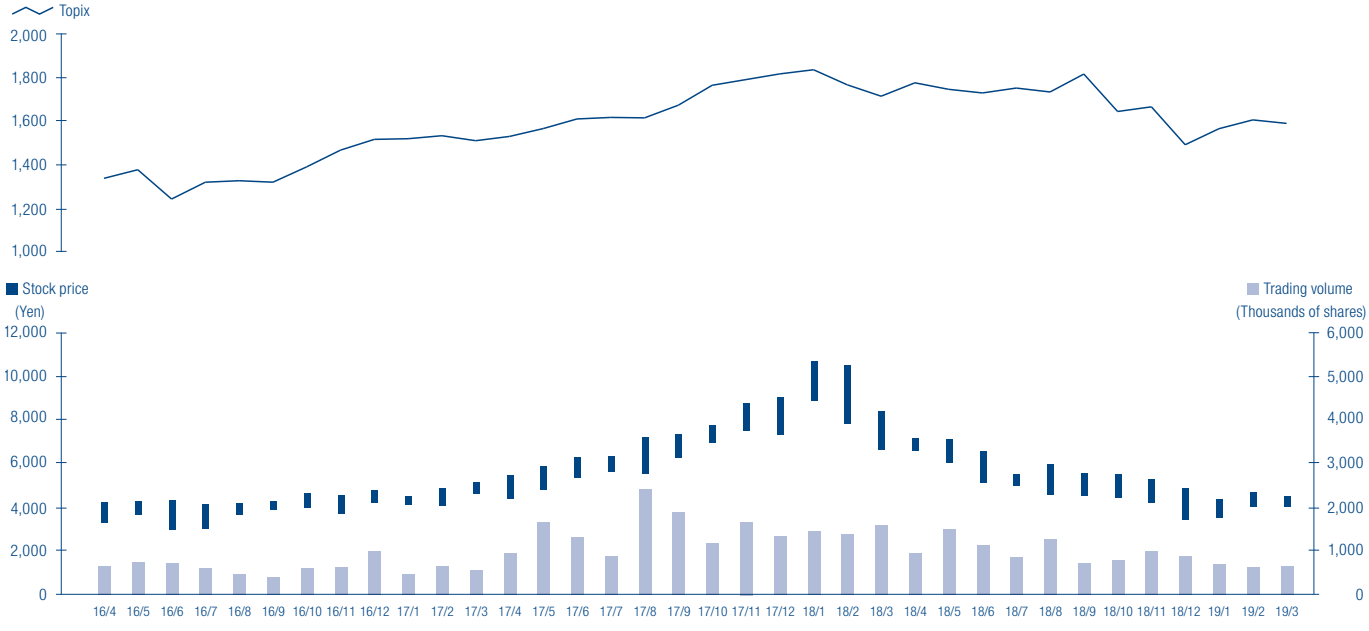
Corporate Data

Company Name	Shindengen Electric Manufacturing Co., Ltd.
Established	August 16, 1949
Capital	¥17,823,148,008
Number of Employees	5,215 (Consolidated basis) 1,143 (Nonconsolidated basis)

Stock Information

Stock Exchange Listing	June 2, 1958 (Tokyo Stock Exchange, First Section)
Security Code	6844
Total Number of Issued Shares	10,338,884
Ordinary General Meeting of Shareholders	June
Independent Auditor	Ernst & Young ShinNihon LLC
Number of Shareholders	5,049

Stock Price And Trading Volume



* Shindengen executed a share consolidation on October 1, 2017, at a ratio of 10 common shares to one. The figures above are adjusted accordingly.

Network



SHINDENGEN ELECTRIC MANUFACTURING CO., LTD.

1. Head Office:
New-Ohtemachi Bldg., 2-1,
Ohtemachi 2-chome, Chiyoda-ku,
Tokyo 100-0004, Japan
Phone: +81-3-3279-4431

2. Hanno R&D Center:
10-13, Minamicho, Hanno-shi,
Saitama 357-8585, Japan
Phone: +81-42-973-3111

3. Osaka Branch Office:
Minami Senba Heart Bldg., 3-2,
Minami Senba, 2-chome, Chuo-ku,
Osaka-shi, Osaka 542-0081, Japan
Phone: +81-6-6264-7770

4. Nagoya Branch Office:
Nagoya Daiichi Bldg., 19-24,
Nishiki 1-chome, Naka-ku,
Nagoya-shi, Aichi 460-0003, Japan
Phone: +81-52-221-1361

5. Hamamatsu Office
Hamamatsu Daiichiseimei Nittsu Bldg.,
110-5, Itaya-machi, Naka-ku,
Hamamatsu-shi,
Shizuoka 430-0928, Japan
Phone: +81-53-450-3800

6. Utsunomiya Office:
Flora Bldg., 9-15, Higashi Syukugou
1-chome, Utsunomiya-shi,
Tochigi 321-0953, Japan
Phone: +81-28-637-3615

7. Seoul Office:
B701-4. 230, Simin-daero,
Dongan-gu, Anyang-si, Gyeonggi-do,
Korea
Phone: +82-31-385-1431

SUBSIDIARIES & AFFILIATES

Overseas

Sales and Service

8. Shindengen (Shanghai) Electric Co., Ltd.
(Share ownership: 100%)
Phone: +86-21-6270-8000

9. Shindengen America, Inc.
(Share ownership: 100%)
Phone: +1-847-444-1363

Shindengen (H.K.) Co., Ltd.
(Share ownership: 100%)
10. Head Office (Hong Kong)
Phone: +852-2317-1884
11. Taiwan Representative Office
Phone: +886-2-2321-3990

Shindengen UK Ltd.
(Share ownership: 100%)
12. Head Office
Phone: +44-20-3829-6980
13. German Branch
Phone: +49-211-5206590

14. Shindengen Singapore Pte Ltd.
(Share ownership: 100%)
Phone: +65-6445-0082

Manufacturing

15. Lumphun Shindengen Co., Ltd.
(Share ownership: 100%)

16. Shindengen Philippines Corp.
(Share ownership: 100%)

17. Shindengen Lao Co., Ltd.
(Share ownership: 100%)

Manufacturing and Sales

18. PT. Shindengen Indonesia
(Share ownership: 100%)

Shindengen India Pvt. Ltd.
(Share ownership: 100%)
19. Head Office
20. Gurugram Office

21. Shindengen Vietnam Co., Ltd.
(Share ownership: 100%)

22. Guangzhou Shindengen Electronic Co., Ltd.
(Share ownership: 100%)

23. Shindengen (Thailand) Co., Ltd.
(Share ownership: 100%)

24. Napino Auto & Electronics Ltd.
(Share ownership: 22.57%)

Japan

Sales and Service

25. Shindengen Enterprise Co., Ltd.
(Share ownership: 100%)
Phone: +81-42-974-5721

26. Shindengen Kumamoto Technoresearch Co., Ltd.
(Share ownership: 100%)
Phone: +81-96-337-5200

Manufacturing

27. Akita Shindengen Co., Ltd.
(Share ownership: 100%)

28. Higashine Shindengen Co., Ltd.
(Share ownership: 100%)

29. Okabe Shindengen Co., Ltd.
(Share ownership: 100%)

30. Shindengen Three E Co., Ltd.
(Share ownership: 100%)

31. Shindengen Mechatronics Co., Ltd.
(Share ownership: 35%)

ShinDengen

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