Fuji Seal International, Inc. and Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fuji Seal International, Inc.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 14, 2019

Member of
Deloitte Touche Tohmatsu Limited

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2019

ASSETS	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT ASSETS:			
Cash and bank deposits (Notes 14 and 19)	¥ 10,392	¥ 8,929	$ 93,630
Receivables (Note 14):			
Notes and accounts receivable – trade	39,713	38,215	357,807
Electronically recorded monetary claims – trade	8,432	8,121	75,971
Associated company	90	231	811
Other	3,139	2,460	28,282
Allowance for doubtful receivables	(144)	(200)	(1,297)
Inventories (Note 4)	20,006	17,543	180,250
Other current assets	1,149	864	10,352
Total current assets	82,777	76,163	745,806
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,402	5,459	48,671
Buildings and structures (Note 5)	41,823	41,038	376,818
Machinery and equipment (Note 5)	78,809	81,738	710,055
Furniture and fixtures	5,829	5,755	52,518
Lease assets (Note 13)	591	610	5,325
Construction in progress	2,455	3,948	22,119
Total	134,909	138,548	1,215,506
Accumulated depreciation	(79,303)	(79,216)	(714,506)
Net property, plant and equipment	55,606	59,332	501,000
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	3,941	3,865	35,508
Investment in associated company	3,649	3,784	32,877
Software	1,188	1,357	10,704
Deferred tax assets (Note 11)	2,056	2,147	18,524
Prepaid pension expenses (Note 9)	2,020	1,928	18,200
Other assets	895	931	8,063
Total investments and other assets	13,749	14,012	123,876
TOTAL	¥ 152,132	¥ 149,507	$ 1,370,682

LIABILITIES AND EQUITY	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 14)	¥ 8,409	¥ 8,687	$ 75,764
Current portion of long-term debt (Notes 8 and 14)	1,850		16,668
Current portion of long-term lease obligations (Note 13)	74	83	667
Payables (Note 14):			
Notes and accounts payable – trade	11,214	13,432	101,036
Electronically recorded obligations – trade	12,979	10,619	116,938
Associated company	565	336	5,091
Other	4,929	5,527	44,409
Income taxes payable (Note 14)	1,155	1,382	10,406
Accrued expenses	3,113	4,000	28,048
Other current liabilities (Notes 11 and 14)	4,195	3,916	37,796
Total current liabilities	48,483	47,982	436,823
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 14)	3,450	5,300	31,084
Long-term lease obligations (Note 13)	170	205	1,532
Liability for retirement benefits (Note 9)	1,996	4,372	17,984
Deferred tax liabilities (Note 11)	1,776	2,138	16,001
Other long-term liabilities	360	166	3,243
Total long-term liabilities	7,752	12,181	69,844
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 10 and 20):			
Common stock, authorized, 200,000,000 shares; issued, 60,161,956 shares in 2019 and 2018	5,990	5,990	53,969
Capital surplus	6,525	6,463	58,789
Retained earnings	79,786	72,953	718,858
Treasury stock – at cost: 3,114,573 shares in 2019 and 3,128,964 shares in 2018	(3,084)	(3,105)	(27,786)
Accumulated other comprehensive income (Note 16):			
Unrealized gain on available-for-sale securities	1,631	1,599	14,695
Deferred loss on derivatives under hedge accounting (Note 15)	(6)	(1)	(54)
Foreign currency translation adjustments	3,948	5,522	35,570
Defined retirement benefit plans (Note 9)	1,107	(77)	9,974
Total	6,680	7,043	60,185
Total equity	95,897	89,344	864,015
TOTAL	¥ 152,132	¥ 149,507	$ 1,370,682

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET SALES	¥ 162,189	¥ 154,724	$ 1,461,294
COST OF SALES (Note 12)	130,478	125,230	1,175,584
Gross profit	31,711	29,494	285,710
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 18)	18,725	17,989	168,708
Operating income	12,986	11,505	117,002
OTHER INCOME (EXPENSES):			
Interest and dividend income	74	65	667
Interest expense	(102)	(113)	(919)
Foreign exchange loss – net	(154)	(129)	(1,388)
Equity in losses of associated company	(233)	(391)	(2,099)
Gain on sales of property, plant and equipment	109	15	982
Loss on sales and disposals of property, plant and equipment	(406)	(277)	(3,658)
Subsidies income	296	200	2,667
Insurance income (Note 6)	246		2,216
Impairment losses (Note 5)	(853)		(7,685)
Reorganization expenses (Notes 5 and 7)		(1,377)	
Gain on settlement of retirement benefit plan (Note 9)	220		1,982
Loss on settlement of retirement benefit plan (Note 9)	(300)	(412)	(2,703)
Other – net	(29)	79	(262)
Other expenses – net	(1,132)	(2,340)	(10,200)
INCOME BEFORE INCOME TAXES	11,854	9,165	106,802
INCOME TAXES (Note 11):			
Current	(4,189)	(4,406)	(37,742)
Deferred	594	1,446	5,352
Total income taxes	(3,595)	(2,960)	(32,390)
NET INCOME	8,259	6,205	74,412
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 8,259	¥ 6,205	$ 74,412
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t and 17):			
Basic net income	¥144.78	¥108.91	$1.30
Cash dividends applicable to the year	29.00	23.00	0.26

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥8,259	¥6,205	$ 74,412
OTHER COMPREHENSIVE (LOSS) INCOME (Note 16):			
Unrealized gain on available-for-sale securities	32	452	288
Deferred loss on derivatives under hedge accounting	(5)	(1)	(45)
Foreign currency translation adjustments	(1,670)	419	(15,047)
Share of other comprehensive income in associated company	96	168	865
Defined retirement benefit plans	1,184	1,298	10,668
Total other comprehensive (loss) income	(363)	2,336	(3,271)
COMPREHENSIVE INCOME (Note 16)	¥7,896	¥8,541	$ 71,141
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):			
Owners of the parent	¥7,896	¥8,541	$71,141

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2019

		Millions of Yen								
						Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2017	56,971,192	¥5,990	¥6,302	¥68,002	¥(3,166)	¥1,147		¥ 4,935	¥(1,375)	¥81,835
Net income attributable to owners of the parent				6,205						6,205
Cash dividends, ¥23 per share				(1,254)						(1,254)
Purchase of treasury stock	(100)				(0)					(0)
Disposal of treasury stock (include the disposal as restricted share compensation)	61,900		161		61					222
Net change in the year						452	¥ (1)	587	1,298	2,336
BALANCE, MARCH 31, 2018	57,032,992	5,990	6,463	72,953	(3,105)	1,599	(1)	5,522	(77)	89,344
Net income attributable to owners of the parent				8,259						8,259
Cash dividends, ¥29 per share				(1,426)						(1,426)
Purchase of treasury stock	(7,007)				(0)					(0)
Disposal of treasury stock (include the disposal as restricted share compensation)	21,398		62		21					83
Net change in the year						32	(5)	(1,574)	1,184	(363)
BALANCE, MARCH 31, 2019	57,047,383	¥5,990	¥6,525	¥79,786	¥(3,084)	¥1,631	¥ (6)	¥ 3,948	¥ 1,107	¥95,897

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2018	$53,969	$58,230	$657,293	$(27,975)	$14,407	$ (9)	$ 49,752	$ (694)	$804,973
Net income attributable to owners of the parent			74,412						74,412
Cash dividends, $0.26 per share			(12,847)						(12,847)
Purchase of treasury stock				(0)					(0)
Disposal of treasury stock (include the disposal as restricted share compensation)		559		189					748
Net change in the year					288	(45)	(14,182)	10,668	(3,271)
BALANCE, MARCH 31, 2019	$53,969	$58,789	$718,858	$(27,786)	$14,695	$(54)	$ 35,570	$ 9,974	$864,015

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 11,854	¥ 9,165	$ 106,802
Adjustments for:			
Income taxes – paid	(4,682)	(4,946)	(42,184)
Depreciation and amortization	8,837	9,235	79,620
Impairment losses (Note 5)	853		7,685
Gain on settlement of retirement benefit plan (Note 9)	(220)		(1,982)
Loss on settlement of retirement benefit plan (Note 9)	300	412	2,703
Subsidies income	(296)	(200)	(2,667)
Reorganization expenses (Notes 5 and 7)		1,377	
Gain on sales of property, plant and equipment	(109)	(15)	(982)
Loss on sales and disposals of property, plant and equipment	406	277	3,658
Equity in loss of associated company	233	391	2,099
Changes in assets and liabilities:			
Increase in receivables	(2,245)	(5,948)	(20,227)
Increase in inventories	(2,876)	(1,668)	(25,912)
Increase in payables	536	1,743	4,829
(Decrease) increase in liability for retirement benefits	(1,246)	689	(11,226)
Others – net	(875)	1,368	(7,883)
Total adjustments	(1,384)	2,715	(12,469)
Net cash provided by operating activities	10,470	11,880	94,333
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(7,462)	(8,272)	(67,231)
Purchases of software and other assets	(373)	(331)	(3,361)
Purchases of investment securities	(30)	(28)	(270)
Others – net	415	242	3,739
Net cash used in investing activities	(7,450)	(8,389)	(67,123)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans – net	(1,199)	2,119	(10,803)
Repayments of long-term debt		(750)	
Redemption of corporate bond		(5,000)	
Dividends paid	(1,426)	(1,253)	(12,847)
Others – net	(91)	(70)	(821)
Net cash used in financing activities	(2,716)	(4,954)	(24,471)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(121)	(380)	(1,090)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	183	(1,843)	1,649
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	7,784	9,627	70,132
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 19)	¥ 7,967	¥ 7,784	$ 71,781

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Fuji Seal International, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to $1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2019, include the accounts of the Company and its 24 (24 in 2018) subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in one (one in 2018) associated company is accounted for by the equity method.

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

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

c. ***Unification of Accounting Policies Applied to Foreign-Associated Company for the Equity Method*** – ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by a foreign-associated company in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. ***Business Combinations*** – Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash Equivalents*** – Cash equivalents presented in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits in banks and other short-term investments which mature or become due within 12 months of the date of acquisition. In the consolidated statements of cash flows, the ending balance of bank overdraft is netted against cash equivalents (see Note 19).

f. ***Inventories*** – Inventories are stated at the lower of cost, determined by the moving-average cost method principally for finished products and work in process and by the most recent purchase price principally for raw materials and supplies, or net selling value.

g. ***Investment Securities*** – Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

   Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

   For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

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

i. ***Property, Plant and Equipment*** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Depreciation of property, plant and equipment of foreign subsidiaries is computed substantially by the straight-line method. The range of useful lives is from 2 to 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

Equipment held under lease is depreciated by the straight-line method over the respective lease period.

Under certain conditions, such as the receipt of subsidy income, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired. As of March 31, 2019, such deferred profit amounted to ¥1,478 million ($13,317 thousand).

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

k. ***Software*** – Software for internal use is amortized by the straight-line method over the estimated useful lives. The estimated useful life is five years.

l. ***Retirement and Pension Plans*** – The Company and certain subsidiaries have defined contribution pension plans and defined benefit lump-sum payment plans for employees. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss primarily over ten years but no longer than the expected average remaining service period of the employees.

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

n. ***Research and Development Costs*** – Research and development costs are charged to income as incurred.

o. ***Leases*** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

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

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

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

Deferred tax assets and deferred tax liabilities, which were previously classified as current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets and long-term liabilities. In addition, after the reclassification, deferred tax assets and deferred tax liabilities levied on the same taxable entity were offset. In response to the changes on the balance sheet as of March 31, 2018 deferred tax assets and deferred tax liabilities classified as current decreased by ¥1,099 million and ¥78 million respectively. Deferred tax assets and deferred tax liabilities classified as non-current increased by ¥802 million and decreased by ¥220 million, respectively.

In addition, total assets as of March 31, 2018 decreased by ¥297 million.

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

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

s. ***Derivatives and Hedging Activities*** – The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

t. ***Per Share Information*** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period retroactively adjusted for stock splits.

Diluted net income per share is not presented because there are no securities with a dilutive effect upon exercise or conversion into common stock.

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

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

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

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

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

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

3. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Noncurrent:			
Marketable equity securities	¥3,742	¥3,666	$33,715
Non-marketable equity securities	199	199	1,793
Total	¥3,941	¥3,865	$35,508

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

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,394	¥2,355	¥(7)	¥3,742
Total	¥1,394	¥2,355	¥(7)	¥3,742

	Millions of Yen			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,364	¥2,302	¥(0)	¥3,666
Total	¥1,364	¥2,302	¥(0)	¥3,666

	Thousands of U.S. Dollars			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$12,560	$21,218	$(63)	$33,715
Total	$12,560	$21,218	$(63)	$33,715

There were no sales of equity securities for the year ended March 31, 2019. The amounts of sales of equity securities for the year ended March 31, 2018 is immaterial.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Finished products	¥ 9,615	¥ 7,423	$ 86,629
Work in process	3,684	3,932	33,192
Raw materials and supplies	6,707	6,188	60,429
Total	¥20,006	¥17,543	$180,250

5. LONG-LIVED ASSETS

Year ended March 31, 2019

The Group reviewed its long-lived assets for impairment as of March 31, 2019. As a result, Fuji Seal Europe Ltd. and PT. Fuji Seal Packaging Indonesia recognized impairment losses of ¥683 million ($6,154 thousand) and ¥145 million ($1,315 thousand) on buildings and structures, and machinery and equipment respectively and the carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2019. Both entities have continuing operating losses, which results in the indicators of impairment. Also, PAGO AG recognized impairment loss of ¥24 million ($216 thousand) on machinery and equipment that became idle assets during the fiscal year, and the carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2019. The recoverable amounts of machinery and equipment were measured at their net selling prices and the recoverable amounts of buildings and structures were measured at reasonable estimated value referring to the standard of real estate appraisal.

Year ended March 31, 2018

The Group reviewed its long-lived assets for impairment as of March 31, 2018. As a result, the Group recognized impairment losses of ¥144 million on buildings and structures, and machinery and equipment as a part of reorganization expenses in other expenses, and the carrying amounts of the relevant assets were written down to the recoverable amounts for the year ended March 31, 2018 (See Note 7). The recoverable amounts of machinery and equipment were measured at their net selling prices and the recoverable amounts of buildings and structures were set at zero.

6. INSURANCE INCOME

Year ended March 31, 2019

Insurance income represents insurance proceeds received due to the damage of property, plant and equipment located in our customers, which was caused by the heavy rain that hit Western Japan in July 2018.

Year ended March 31, 2018

No insurance income was recognized.

7. REORGANIZATION EXPENSES

Year ended March 31, 2019

No reorganization expenses were recognized.

Year ended March 31, 2018

Reorganization expenses resulted from management rationalization on Pago Etikettiersysteme GmbH, the factory in Germany of PAGO group, consisting of early retirement payments in the amount of ¥1,096 million impairment losses in the amount of ¥144 million and other related costs in the amount of ¥137 million.

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

Short-term bank loans as of March 31, 2019 and 2018, consisted of bank loans and bank overdrafts. The weighted-average annual interest rate applicable to the short-term bank loans was 1.3% and 1.0% for the years ended March 31, 2019 and 2018, respectively.

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
Loans from banks with weighted-average per annum interest rate of 0.2% for 2019 (0.2% for 2018) due serially to 2022	¥ 5,300	¥5,300	$ 47,752
Total	5,300	5,300	47,752
Less current portion	(1,850)		(16,668)
Long-term debt, less current portion	¥ 3,450	¥5,300	$ 31,084

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥1,850	$16,668
2021	2,400	21,624
2022	1,050	9,460
2023		
2024		
Total	¥5,300	$47,752

9. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have defined retirement benefit plans, such as a defined corporate pension plan and lump-sum pension plan, and also have defined contribution plans. Under most circumstances, employees terminating their employment are entitled to retirement benefits, determined based on the rate of pay at the time of termination, years of service, and certain other factors. At the time of retirement, there are cases in which employees are entitled to larger payments, not subject to the defined retirement benefit obligation.

A subsidiary located in the Americas settled the retirement benefit plans in phases in 2018 and 2019, which resulted in the settlement losses. A subsidiary located in Europe settled the retirement benefit plan in 2019, which resulted in the settlement gain.

Defined Retirement Benefit Plan

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of the year	¥20,392	¥20,665	$183,728
Current service cost	636	623	5,730
Interest cost	207	219	1,865
Actuarial (gains) losses	(385)	68	(3,469)
Benefits paid	(787)	(820)	(7,091)
Foreign currency transaction adjustments	(505)	528	(4,550)
Settlement of retirement benefit plans	(6,921)	(1,098)	(62,357)
Others	185	208	1,668
Balance at end of the year	¥12,822	¥20,393	$115,524

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of the year	¥17,949	¥17,755	$161,717
Interest income	150	135	1,351
Expected return on plan assets	48	92	432
Actuarial (losses) gains	(279)	996	(2,514)
Contributions from the employer	1,664	219	14,992
Benefits paid	(715)	(740)	(6,442)
Foreign currency transaction adjustments	(472)	356	(4,253)
Settlement of retirement benefit plans	(5,311)	(1,098)	(47,851)
Others	(188)	234	(1,692)
Balance at end of the year	¥12,846	¥17,949	$115,740

(3) Reconciliation between the liability and assets recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Defined benefit obligations	¥ 10,827	¥ 18,477	$ 97,549
Plan assets	(12,846)	(17,949)	(115,740)
Total	(2,019)	528	(18,191)
Unfunded defined benefit obligations	1,995	1,916	17,975
Net (asset) liability arising from defined benefit obligations	¥ (24)	¥ 2,444	$ (216)

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥ 1,996	¥ 4,372	$ 17,984
Prepaid pension expenses	(2,020)	(1,928)	(18,200)
Net (asset) liability arising from defined benefit obligation	¥ (24)	¥ 2,444	$ (216)

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥ 636	¥ 623	$ 5,730
Net interest cost	57	84	514
Expected return on plan assets	(48)	(92)	(432)
Recognized actuarial losses	40	145	360
Amortization of prior service cost	29	14	261
Others (including early retirement payment)	10	9	90
Net periodic benefit costs	¥ 724	¥ 783	$ 6,523
Loss on settlement of retirement benefit plan	300	412	2,703
Gain on settlement of retirement benefit plan	(220)		(1,982)
Total	¥ 804	¥1,195	$ 7,244

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ 29	¥ 29	$ 261
Actuarial losses	1,413	1,428	12,731
Total	¥1,442	¥1,457	$12,992

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ (15)	¥ (44)	$ (135)
Unrecognized actuarial losses (gains)	1,308	(106)	11,785
Total	¥1,293	¥(150)	$11,650

(7) Plan assets as of March 31, 2019 and 2018

a. *Components of plan assets*

Plan assets consisted of the following:

	2019	2018
Debt investments	39%	30%
Equity investments	26	27
Real estate including REIT	35	24
Insurance		18
Others	0	1
Total	100%	100%

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

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

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

	2019	2018
Discount rate	Domestic: 0.1% Foreign: 0.9 – 4.3%	Domestic: 0.1% Foreign: 0.6 – 3.5%
Expected rate of return on plan assets	Foreign: – %	Foreign: 8.0%
Amortization period of prior service cost	Mainly 10 years	Mainly 10 years
Recognition period of actuarial gains/losses	Mainly 10 years	Mainly 10 years
Estimated rate of salary increase (*1)	Domestic: 4.1% Foreign: 0.5%	Domestic: 4.1% Foreign: 0.5 – 1.8%

(*1) For the Company and domestic subsidiaries, the estimated rate of salary increase represented an estimated rate of increase in points, which is applied in calculating the retirement benefits.

Defined Contribution Plan

The amounts of required contribution for the years ended March 31, 2019 and 2018, were ¥324 million ($2,919 thousand) and ¥307 million, respectively.

10. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (namely appointment committee, compensation committee, and audit committee) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with board committees. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.81% for the years ended March 31, 2019 and 2018. The foreign subsidiaries are subject to income taxes of the countries in which they operate.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Accrued enterprise taxes	¥ 114	¥ 132	$ 1,027
Accrued bonuses	403	414	3,631
Allowance for doubtful receivables	11	11	99
Liability for retirement benefits	578	1,169	5,208
Tax loss carryforwards	3,947	3,137	35,562
Depreciation	492	414	4,433
Reorganization expenses		330	
Unrealized intercompany profits	176	221	1,586
Tax credits carryforwards for investment	922	890	8,307
Others	1,087	499	9,793
Total of tax loss carryforwards and temporary differences	7,730	7,217	69,646
Less valuation allowance for tax loss carryforwards	(3,876)		(34,922)
Less valuation allowance for temporary differences	(464)		(4,181)
Total valuation allowance	(4,340)	(3,852)	(39,103)
Deferred tax assets	¥ 3,390	¥ 3,365	$ 30,543
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	¥ (360)	¥ (323)	$ (3,244)
Net unrealized gains on available-for-sale securities	(717)	(703)	(6,460)
Depreciation	(1,311)	(1,482)	(11,812)
Fixed assets	(273)	(389)	(2,460)
Others	(449)	(458)	(4,044)
Deferred tax liabilities	¥(3,110)	¥(3,355)	$(28,020)
Net deferred tax liabilities	¥ 280	¥ 10	$ 2,523

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2019 was as follows:

	Millions of Yen						
March 31, 2019	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards		¥ 76	¥ 134	¥ 95	¥ 493	¥ 3,149	¥ 3,947
Less valuation allowances for tax loss carryforwards		(76)	(134)	(95)	(493)	(3,078)	(3,876)
Net deferred tax assets relating to tax loss carryforwards						71	71

	Thousands of U.S. Dollars						
March 31, 2019	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards		$ 685	$ 1,207	$ 856	$ 4,442	$ 28,372	$ 35,562
Less valuation allowances for tax loss carryforwards		(685)	(1,207)	(856)	(4,442)	(27,732)	(34,922)
Net deferred tax assets relating to tax loss carryforwards						640	640

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2019 and 2018, is not presented because the difference between the normal effective statutory tax rate and the actual effective tax rate was less than 5% of the normal effective statutory tax rate, which is immaterial.

Due to the enactment of the Tax Act on December 22, 2017 in the U.S., the federal corporate tax rate was reduced from 35% to 21% effective January 1, 2018. As an effect of the enactment of the Tax Act in the U.S., a deferred tax liability (amounts deducting deferred tax assets) decreased by ¥435 million ($4,095 thousand) and income taxes – deferred decreased by ¥472 million for the year ended March 31, 2018. There was no important tax reform for the year ended March 31, 2019.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,121 million ($19,110 thousand) and ¥2,188 million for the years ended March 31, 2019 and 2018, respectively.

13. LEASES

The Group leases certain machinery, computer equipment, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended March 31, 2019 and 2018, were ¥235 million ($2,117 thousand) and ¥255 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2019		2019	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 74	¥190	$ 667	$1,712
Due after one year	170	312	1,532	2,811
Total	¥244	¥502	$2,199	$4,523

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial assets, mainly short-term deposits, and uses financial instruments, mainly short-term bank loans and bonds, for funding. The Company and its subsidiaries apply short-term deposits and short-term loans receivable among Group companies (cash management system). Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables for trade are exposed to customer credit risk. Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly listed shares, are exposed to the risk of market price fluctuations. Payment terms of payables for trade are mostly less than six months.

Maturities of bank loans and bonds are less than five years after the balance sheet date. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives consist primarily of forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and from changes in interest rates of bank loans. Please see Notes 2.s and 15 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. The credit risk affecting subsidiaries is also managed in the same manner.

Market risk management (foreign exchange risk and interest rate risk)

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loans.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding adequate volume of liquid assets in view of business income and manages expenditures and equipment investment spending plans, along with adequate financial planning by the Corporate Treasury Department. Subsidiaries also report their financial plans to the Group. The Finance Department manages liquidity risk by obtaining information on cash flows of the whole Group.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. The valuation technique utilizes certain assumptions, and the fair values may change by adopting different assumptions. In addition, the contract amounts of derivatives in Note 15 do not directly indicate the market risk of derivatives.

(a) Fair value of financial instruments

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

	Millions of Yen		
March 31, 2019	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥10,392	¥10,392	¥
Receivables:			
Notes and accounts receivable – trade	39,713	39,713	
Electronically recorded monetary claims – trade	8,432	8,432	
Associated company	90	90	
Investment securities:			
Available-for-sale securities	3,742	3,742	
Total	¥62,369	¥62,369	¥
Short-term bank loans	¥ 8,409	¥ 8,409	
Payables:			
Notes and accounts payable – trade	11,214	11,214	
Electronically recorded obligations – trade	12,979	12,979	
Associated company	565	565	
Others	4,929	4,929	
Income taxes payable	1,155	1,155	
Long-term debt	5,300	5,287	¥(13)
Total	¥44,551	¥44,538	¥(13)
Derivatives (*1)	¥ (1)	¥ (1)	¥

March 31, 2018	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	¥ 8,929	¥ 8,929	¥
Receivables:			
Notes and accounts receivable – trade	38,215	38,215	
Electronically recorded monetary claims – trade	8,121	8,121	
Associated company	231	231	
Investment securities:			
Available-for-sale securities	3,666	3,666	
Total	¥59,162	¥59,162	¥
Short-term bank loans	¥ 8,687	¥ 8,687	
Payables:			
Notes and accounts payable – trade	13,432	13,432	
Electronically recorded obligations – trade	10,619	10,619	
Associated company	336	336	
Others	5,526	5,526	
Income taxes payable	1,382	1,382	
Long-term debt	5,300	5,289	¥(11)
Total	¥45,282	¥45,271	¥(11)
Derivatives (*1)	¥(18)	¥(18)	¥

March 31, 2019	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and bank deposits	$ 93,630	$ 93,630	$
Receivables:			
Notes and accounts receivable – trade	357,807	357,807	
Electronically recorded monetary claims – trade	75,971	75,971	
Associated company	811	811	
Investment securities:			
Available-for-sale securities	33,715	33,715	
Total	$ 561,934	$ 561,934	$
Short-term bank loans	$ 75,764	$ 75,764	
Payables:			
Notes and accounts payable – trade	101,036	101,036	
Electronically recorded obligations – trade	116,938	116,938	
Associated company	5,091	5,091	
Others	44,409	44,409	
Income taxes payable	10,406	10,406	
Long-term debt	47,752	47,635	$(117)
Total	$ 401,396	$ 401,279	$(117)
Derivatives (*1)	$ (9)	$ (9)	$

(*1) Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

Cash and bank deposits, receivables, payables, short-term bank loans, and income taxes payable

The carrying values of cash and bank deposits, receivables, payables, short-term bank loans, and income taxes payable approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 3.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The fair values of bonds are determined by the over-the-counter sale price published by Japan Securities Dealers Association.

Derivatives

Fair value information for derivatives is included in Note 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in equity instruments that do not have a quoted market price in an active market	¥199	¥199	$1,793

(5) Maturity Analysis for Financial Assets with Contractual Maturities

	Millions of Yen			
March 31, 2019	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and bank deposits	¥10,392	¥	¥	¥
Receivables:				
Notes and accounts receivable – trade	39,713			
Electronically recorded monetary claims – trade	8,432			
Associated company	90			
Total	¥58,627	¥	¥	¥

March 31, 2019	Thousands of U.S. Dollars Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and bank deposits	$ 93,630	$	$	$
Receivables:				
Notes and accounts receivable – trade	357,807			
Electronically recorded monetary claims – trade	75,971			
Associated company	811			
Total	$ 528,219	$	$	$

Please see Note 8 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

15. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are executed to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

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

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

At March 31, 2019	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥746	¥	¥8	¥8

At March 31, 2018	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥1,013	¥	¥(16)	¥(16)

At March 31, 2019	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	$6,721	$	$72	$72

Derivative Transactions to Which Hedge Accounting Is Applied

At March 31, 2019	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Principal method:				
Foreign currency forward contracts:				
Buying EUR	Forecasted transactions	¥151	¥	¥(8)
Conventional method:				
Foreign currency forward contracts:				
Selling EUR	Receivables	¥ 1	¥	(*1)
Selling USD	Receivables	¥ 6	¥	(*1)

At March 31, 2018	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Principal method:				
Foreign currency forward contracts:				
Buying EUR	Forecasted transactions	¥157	¥	¥(2)
Conventional method:				
Foreign currency forward contracts:				
Selling EUR	Receivables	¥ 2	¥	(*1)
Selling USD	Receivables	¥50	¥	(*1)

At March 31, 2019	Thousands of U.S. Dollars Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Principal method:				
Foreign currency forward contracts:				
Buying EUR	Forecasted transactions	$1,360	$	$(72)
Conventional method:				
Foreign currency forward contracts:				
Selling EUR	Receivables	$ 9	$	(*1)
Selling USD	Receivables	$54	$	(*1)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

(*1) The hedged items denominated in foreign currencies are translated at the contracted rates if the forward foreign currency contracts qualify for hedge accounting. The fair value of such forward foreign currency contracts in Note 14 are included in the hedged items.

16. OTHER COMPREHENSIVE (LOSS) INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 46	¥ 668	$ 414
Reclassification adjustments to profit or loss		(17)	
Amount before income tax effect	46	651	414
Income tax effect	(14)	(199)	(126)
Total	¥ 32	¥ 452	$ 288
Deferred loss on derivatives under hedge accounting:			
Loss arising during the year	¥ (8)	¥ (2)	$ (72)
Reclassification adjustments to profit or loss	1		9
Amount before income tax effect	(7)	(2)	(63)
Income tax effect	2	1	18
Total	¥ (5)	¥ (1)	$ (45)
Foreign currency translation adjustments:			
(Loss) gain arising during the year	¥(1,670)	¥ 419	$(15,047)
Total	¥(1,670)	¥ 419	$(15,047)
Share of other comprehensive income in associated company:			
Gain arising during the year	¥ 96	¥ 168	$ 865
Total	¥ 96	¥ 168	$ 865
Defined retirement benefit plan:			
Gain arising during the year	¥ 141	¥ 891	$ 1,270
Reclassification adjustments to profit or loss	1,301	566	11,722
Amount before income tax effect	1,442	1,457	12,992
Income tax effect	(258)	(159)	(2,324)
Total	¥ 1,184	¥1,298	$ 10,668
Total other comprehensive (loss) income	¥ (363)	¥2,336	$ (3,271)

17. NET INCOME PER SHARE

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

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2019				
Basic EPS				
Net income available to common shareholders	¥8,259	57,046	¥144.78	$1.30
For the year ended March 31, 2018				
Basic EPS				
Net income available to common shareholders	¥6,205	56,974	¥108.91	

Diluted net income per share is not disclosed because there are no dilutive shares.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Employees' salaries	¥6,803	¥6,701	$61,294
Freight charges	2,508	2,308	22,597

19. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliations between cash and cash equivalents on the consolidated statements of cash flows and cash and bank deposits on the consolidated balance sheets at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash and bank deposits	¥ 10,392	¥ 8,929	$ 93,630
Bank overdraft	(2,425)	(1,145)	(21,849)
Cash and cash equivalents	¥ 7,967	¥ 7,784	$ 71,781

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2019, was approved at the meeting of the Board of Directors of the Company held on May 16, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16 ($0.14) per share	¥913	$8,226

21. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. The Group conducts packaging business, which mainly consists of shrink labels and self-adhesive (tack) labels in Japan, Americas, Europe, PAGO, and ASEAN. Each of the regions are an independently managed unit that can conduct production and sales in their respective region. PAGO AG and its associated companies conduct their business mainly in Switzerland, Germany, and Italy. The Company defines the business area of PAGO AG and its associated companies as "PAGO."

Tack labels business in Fuji Seal Poland Sp.zo.o., which was allocated to the "PAGO" segment for the year ended March 31, 2018, is allocated to "Europe" segment for the year ended March 31, 2019, due to the changes of sales structures in "PAGO" segment. Segment information for the year ended March 31, 2018 is reclassified to be consistent with the presentation for the year ended March 31, 2019.

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

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

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

	Millions of Yen							
	2019							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	ASEAN	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥96,030	¥34,050	¥17,352	¥10,514	¥4,243	¥162,189		¥162,189
Intersegment sales or transfers	1,281	829	2,908	581	104	5,703	¥(5,703)	
Total	¥97,311	¥34,879	¥20,260	¥11,095	¥4,347	¥167,892	¥(5,703)	¥162,189
Segment profit (loss)	¥ 9,904	¥ 3,083	¥ 39	¥ (87)	¥ 23	¥ 12,962	¥ 24	¥ 12,986
Segment assets	85,589	29,857	20,233	14,258	3,309	153,246	(1,114)	152,132
Segment liabilities	37,397	5,994	11,850	3,036	1,793	60,070	(3,835)	56,235
Other:								
Depreciation	4,404	2,545	1,184	517	213	8,863	(26)	8,837
Investment associated company under equity method	3,649					3,649		3,649
Increase in property, plant and equipment and intangible assets	4,593	1,770	1,149	301	99	7,912	53	7,965

	Millions of Yen							
	2018							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	ASEAN	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥92,343	¥32,130	¥15,192	¥11,857	¥3,202	¥154,724		¥154,724
Intersegment sales or transfers	1,249	744	1,977	594	6	4,570	¥(4,570)	
Total	¥93,592	¥32,874	¥17,169	¥12,451	¥3,208	¥159,294	¥(4,570)	¥154,724
Segment profit (loss)	¥10,017	¥ 3,130	¥ (712)	¥ (943)	¥ (48)	¥ 11,444	¥ 61	¥ 11,505
Segment assets	80,501	30,147	21,432	14,351	3,503	149,934	(427)	149,507
Segment liabilities	39,493	5,793	13,806	2,701	1,702	63,495	(3,332)	60,163
Other:								
Depreciation	4,589	2,644	1,108	707	211	9,259	(24)	9,235
Investment associated company under equity method	3,784					3,784		3,784
Increase in property, plant and equipment and intangible assets	5,610	1,619	1,024	296	124	8,673	75	8,748

	Thousands of U.S. Dollars							
	2019							
	Reportable Segment							
	Japan	Americas	Europe	PAGO	ASEAN	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$865,213	$306,784	$156,338	$ 94,729	$38,230	$1,461,294		$1,461,294
Intersegment sales or transfers	11,542	7,470	26,201	5,235	935	51,383	$(51,383)	
Total	$876,755	$314,254	$182,539	$ 99,964	$39,165	$1,512,677	$(51,383)	$1,461,294
Segment profit (loss)	$ 89,233	$ 27,777	$ 351	$ (784)	$ 208	$ 116,785	$ 217	$ 117,002
Segment assets	771,142	269,006	182,296	128,462	29,813	1,380,719	(10,037)	1,370,682
Segment liabilities	336,940	54,005	106,766	27,354	16,155	541,220	(34,553)	506,667
Other:								
Depreciation	39,679	22,930	10,668	4,658	1,919	79,854	(234)	79,620
Investment associated company under equity method	32,877					32,877		32,877
Increase in property, plant and equipment and intangible assets	41,382	15,947	10,352	2,712	893	71,286	477	71,763

Note: The major countries or areas belonging to classifications other than Japan:

Year ended March 31, 2019

Americas:	USA, Mexico
Europe:	United Kingdom, Netherlands, France, Spain, Poland
PAGO:	Switzerland, Germany, Italy
ASEAN:	Indonesia, Viet Nam, Thailand, India

Year ended March 31, 2018

Americas:	USA, Mexico
Europe:	United Kingdom, Netherlands, France, Spain, Poland
PAGO:	Switzerland, Germany, Italy
ASEAN:	Indonesia, Viet Nam, Thailand

Effective from the beginning of the year ended March 31, 2018, the Company has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), and changed the method of presentation. Segment assets and liabilities are reclassified in accordance with the Guidance.

Reconciliation of segment profit of ¥24 million ($217 thousand) and ¥61 million for the years ended March 31, 2019 and 2018, respectively, was mainly composed of elimination of the inter-segment transaction, including unrealized gains.

Reconciliation of segment assets of ¥1,114 million ($10,037 thousand) and ¥427 million for the years ended March 31, 2019 and 2018, respectively, was mainly composed of offsetting of the receivables and the payables, investment account, and the capital account.

Reconciliation of segment liabilities of ¥3,835 million ($34,553 thousand) and ¥3,332 million for the years ended March 31, 2019 and 2018, respectively, was mainly composed of offsetting of the receivables and the payables.

Reconciliation of depreciation of ¥26 million ($234 thousand) and ¥24 million for the years ended March 31, 2019 and 2018, respectively, was mainly composed of elimination of the inter-segment transaction, including unrealized gains.

Reconciliation of increase in property, plant and equipment and intangible assets of ¥53 million ($477 thousand) and ¥75 million for the years ended March 31, 2019 and 2018, respectively, was mainly composed of elimination of unrealized gains.

(4) Information about Products and Services

	Millions of Yen						
	2019						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥90,584	¥1,565	¥24,878	¥17,750	¥14,613	¥12,799	¥162,189

	Millions of Yen						
	2018						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥86,120	¥1,674	¥25,472	¥16,773	¥12,104	¥12,581	¥154,724

	Thousands of U.S. Dollars						
	2019						
	Shrink Labels	Other Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	$816,146	$14,100	$224,146	$159,924	$131,661	$115,317	$1,461,294

(5) Information about Geographical Areas

a. Sales

Millions of Yen				
2019				
Japan	Americas	Europe	Others	Total
¥95,514	¥34,218	¥26,938	¥5,519	¥162,189

Millions of Yen				
2018				
Japan	Americas	Europe	Others	Total
¥91,659	¥32,175	¥26,889	¥4,001	¥154,724

Thousands of U.S. Dollars				
2019				
Japan	Americas	Europe	Others	Total
$860,564	$308,298	$242,707	$49,725	$1,461,294

Note: Classification of countries or areas is based on a geographical adjacency.

The major countries or areas belonging to classifications other than Japan for the years ended March 31, 2019 and 2018 are:

Americas: USA, Canada, Mexico, Brazil, and other countries
Europe: EU countries and Switzerland
Others: ASEAN countries

Sales in Americas and Europe are classified as one section respectively, because of the difficulty to identify these sales in each country.

b. Property, plant and equipment

Millions of Yen							
2019							
	Americas			Europe			
Japan	Americas Total	United States	Mexico	Europe Total	Poland	Others	Total
¥26,538	¥14,118	¥7,693	¥6,425	¥13,781	¥7,089	¥1,169	¥55,606

Millions of Yen							
2018							
	Americas			Europe			
Japan	Americas Total	United States	Mexico	Europe Total	Poland	Others	Total
¥26,687	¥15,179	¥8,418	¥6,761	¥15,934	¥8,370	¥1,532	¥59,332

Thousands of U.S. Dollars							
2019							
	Americas			Europe			
Japan	Americas Total	United States	Mexico	Europe Total	Poland	Others	Total
$239,103	$127,201	$69,313	$57,888	$124,164	$63,871	$10,532	$501,000

(6) Information about Impairment Losses of Assets

	Millions of Yen						
	2019						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Impairment losses	¥	¥	¥684	¥24	¥145	¥	¥853

	Millions of Yen						
	2018						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Impairment losses	¥	¥	¥	¥144	¥	¥	¥144

* Impairment losses recognized in PAGO are disclosed as a part of reorganization expenses.

	Thousands of U.S. Dollars						
	2019						
	Japan	Americas	Europe	PAGO	ASEAN	Others	Total
Impairment losses	$	$	$6,163	$216	$1,306	$	$7,685

(7) Information about Major Customers

Information about major customers is not disclosed because there is no customer who accounts for 10% or more of total sales to external customers in the consolidated statement of income.

(8) Information about Goodwill

Information about goodwill is not disclosed because there is no amortization of goodwill for the years ended March 31, 2019 and 2018.

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