Consolidated Financial Statements

Consolidated Balance Sheet

MANDOM CORPORATION and its Consolidated Subsidiaries
As of March 31, 2019

	Millions of yen	
	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	¥ 22,780	¥ 13,640
Short-term investments (Notes 4 and 13)	3,562	22,302
Receivables (Note 13):		
Trade notes and accounts	11,597	10,438
Unconsolidated subsidiaries and associated companies	184	201
Other	68	59
Allowance for doubtful accounts	(21)	(20)
Inventories (Note 5)	13,518	10,761
Prepaid expenses and other current assets	1,238	980
Total current assets	52,926	58,360
PROPERTY, PLANT, AND EQUIPMENT:		
Land	511	511
Buildings and structures	23,413	24,202
Machinery and equipment	19,996	18,988
Furniture and fixtures	6,950	6,156
Lease assets (Note 12)	18	47
Construction in progress	549	774
Total	51,437	50,678
Accumulated depreciation	(33,297)	(32,410)
Net property, plant, and equipment	18,140	18,268
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 4 and 13)	11,308	11,317
Investments in unconsolidated subsidiaries and associated companies	840	693
Goodwill	3,408	
Trademarks	1,042	2
Customer-related assets	1,626	
Asset for retirement benefits	0	
Deferred tax assets (Note 9)	511	619
Software	2,351	1,365
Other assets	1,250	1,977
Total investments and other assets	22,336	15,974
TOTAL	¥ 93,402	¥ 92,602

*Shares have been restated to reflect a two-for-one stock split effected October 1, 2017.

See notes to consolidated financial statements.

	Millions of yen	
	2019	2018
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank loans (Notes 6 and 13)	¥ 106	¥ 272
Payables (Note 13):		
Trade notes and accounts	7,170	7,103
Unconsolidated subsidiaries and associated companies	52	41
Other	132	236
Accrued income taxes (Note 13)	1,119	1,184
Accrued expenses	2,512	2,386
Other current liabilities	693	527
Total current liabilities	11,784	11,749
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 7)	2,180	2,321
Deferred tax liabilities (Note 9)	2,488	1,799
Other long-term liabilities	1,140	983
Total long-term liabilities	5,808	5,103
COMMITMENTS (Note 12)		
EQUITY (Notes 8 and 17):		
Common stock—authorized, 81,969,700 shares; issued, 48,269,212 shares in 2019 and 2018*	11,395	11,395
Capital surplus	11,016	11,235
Retained earnings	50,037	47,967
Treasury stock—at cost, 757,361 shares and 1,516,097 shares in 2019 and 2018*, respectively	(1,828)	(1,867)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	5,407	5,419
Foreign currency translation adjustments	(5,879)	(4,467)
Defined retirement benefit plans	(148)	(269)
Total	70,000	69,413
Noncontrolling interests	5,810	6,337
Total equity	75,810	75,750
TOTAL	¥ 93,402	¥ 92,602

Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Millions of yen	
	2019	2018
NET SALES	¥ 78,998	¥ 81,387
COST OF SALES	37,115	36,550
Gross profit	41,883	44,837
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 10, 11, and 12)	34,747	36,379
Operating income	7,136	8,458
OTHER INCOME (EXPENSES):		
Interest and dividend income	419	373
Foreign exchange gain	38	8
Loss on disposal of property, plant, and equipment	(393)	(52)
Gain on sales of property, plant, and equipment	8	7
Claim of insurance	204	
Compensation expenses	(23)	(49)
Loss on rent cancellation	(18)	(0)
Equity in earnings of associated company	370	307
Impairment loss	(23)	
Other – net	240	167
Other income – net	822	761
INCOME BEFORE INCOME TAXES	7,958	9,219
INCOME TAXES (Note 9):		
Current	2,425	2,511
Deferred	(33)	33
Total income taxes	2,392	2,544
NET INCOME	5,566	6,675
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	479	588
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 5,087	¥ 6,087

	Yen	
	2019	2018*
PER SHARE OF COMMON STOCK (Note 2.r):		
Basic net income	¥ 108.76	¥ 130.19
Cash dividends applicable to the year	60.00	59.00

*Per share figures have been restated to reflect a two-for-one stock split effected October 1, 2017.

Diluted net income per share is not presented because no dilutive securities exist.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Millions of yen	
	2019	2018
NET INCOME	¥ 5,566	¥ 6,675
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):		
Unrealized gain on available-for-sale securities	(12)	2,621
Foreign currency translation adjustments	(1,762)	(337)
Defined retirement benefit plans	223	(96)
Share of other comprehensive loss in associates	(15)	(44)
Total other comprehensive income (loss)	(1,566)	2,144
COMPREHENSIVE INCOME	¥ 4,000	¥ 8,819
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ 3,785	¥ 8,549
Noncontrolling interests	215	270

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Thousands	Millions of yen			
	Outstanding Number of Shares of Common Stock*	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2017	46,754	¥ 11,395	¥ 11,235	¥ 44,264	¥ (1,863)
Net income attributable to owners of the parent				6,087	
Cash dividends, ¥51.0 per share*				(2,384)	
Purchase of treasury stock	(1)				(4)
Net change in the year					
BALANCE, APRIL 1, 2018	46,753	11,395	11,235	47,967	(1,867)
Net income attributable to owners of the parent				5,088	
Cash dividends, ¥65.0 per share				(3,018)	
Purchase of treasury stock	(0)				(1)
Disposal of treasury stock	33		82		40
Change in the parent's ownership interest due to transactions with noncontrolling interests			(301)		
Net change in the year					
BALANCE, MARCH 31, 2019	46,786	¥ 11,395	¥ 11,016	¥ 50,037	¥ (1,828)

* Shares and per share figures have been restated to reflect a two-for-one stock split effected October 1, 2017.
See notes to consolidated financial statements.

	Millions of yen					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling interests	Total Equity
BALANCE, APRIL 1, 2017	¥ 2,799	¥ (4,353)	¥ (224)	¥ 63,253	¥ 6,338	¥ 69,591
Net income attributable to owners of the parent				6,087		6,087
Cash dividends, ¥51.0 per share*				(2,384)		(2,384)
Purchase of treasury stock				(4)		(4)
Net change in the year	2,620	(114)	(45)	2,461	(1)	2,460
BALANCE, APRIL 1, 2018	5,419	(4,467)	(269)	69,413	6,337	75,750
Net income attributable to owners of the parent				5,088		5,088
Cash dividends, ¥65.0 per share				(3,018)		(3,018)
Purchase of treasury stock				(1)		(1)
Disposal of treasury stock				122		122
Change in the parent's ownership interest due to transactions with noncontrolling interests				(301)		(301)
Net change in the year	(12)	(1,412)	121	(1,303)	(527)	(1,830)
BALANCE, MARCH 31, 2019	¥ 5,407	¥ (5,879)	¥ (148)	¥ 70,000	¥ 5,810	¥ 75,810

* Shares and per share figures have been restated to reflect a two-for-one stock split effected October 1, 2017.
See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Millions of yen	
	2019	2018
OPERATING ACTIVITIES:		
Income before income taxes	¥ 7,958	¥ 9,219
Adjustments for:		
Income taxes paid	(2,485)	(2,353)
Depreciation and amortization	3,584	3,315
Loss on disposal of property, plant, and equipment	393	54
Gain on sales of property, plant, and equipment	(8)	(7)
Changes in assets and liabilities:		
Increase in receivables	(668)	(1,066)
Increase in inventories	(2,373)	(323)
Increase (decrease) in payables	(113)	829
Increase (decrease) in liability for retirement benefits	(1)	452
Other – net	301	126
Total adjustments	(1,370)	1,027
Net cash provided by operating activities	6,588	10,246
INVESTING ACTIVITIES:		
Transfers to time deposits other than cash equivalents	(4,040)	(3,677)
Proceeds from maturity of time deposits other than cash equivalents	4,821	2,856
Proceeds from sales of property, plant, and equipment	16	12
Acquisition of property, plant, and equipment	(3,966)	(2,572)
Acquisition of intangible fixed assets	(1,197)	(993)
Payments for purchases of investment securities	(9)	(9)
Proceeds from sales and redemptions of short-term investment securities	21,300	27,000
Payments for purchases of short-term investment securities	(3,500)	(29,299)
Purchase of investments in subsidiaries with a change in scope of consolidation (Note 16)	(6,491)	
Other – net	(13)	(95)
Net cash provided by (used in) investing activities	6,921	(6,777)
FiNANCING ACTIVITIES:		
Repayments of short-term bank loans – net	(148)	
Dividends paid	(3,280)	(2,655)
Purchase of investments in subsidiaries without a change in scope of consolidation	(586)	
Other – net	(6)	(14)
Net cash used in financing activities	(4,020)	(2,669)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(350)	(40)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,139	760
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,641	12,880
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 22,780	¥ 13,640

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MANDOM CORPORATION and its Consolidated Subsidiaries
As of and for the Year Ended March 31, 2019

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 from 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 that 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 MANDOM CORPORATION (the "Company") is incorporated and operates.

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 16 (12 in 2018) significant 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 consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for under the equity method.

Investment in one associated company is accounted for under the equity method.

Investment in 2 (1 in 2018) unconsolidated subsidiaries is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

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 in consolidation.

b. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and bond funds, all of which mature or become due within three months of the date of acquisition.

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

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.

d. Inventories — Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the weighted-average method.

e. Property, Plant, and Equipment — Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, building improvements and structures acquired on or after April 1, 2016, and lease assets of the Company and its domestic consolidated subsidiaries. The straight-line method is principally applied to the property, plant, and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures and from 4 to 12 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

f. Long-Lived Assets — The Group assesses 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 would be 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.

g. Goodwill — Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired associated company at the date of acquisition. Goodwill is reported in the balance sheet as other assets and is amortized using the straight-line method over a reasonable number of years within 20 years.

h. Trademarks and Customer Related Assets — Trademarks and customer-related assets are carried at cost less accumulated amortization. Trademarks and customer-related assets are amortized using the straight-line method over a reasonable number of years within 20 years.

i. Software — Software is carried at cost less accumulated amortization, which is calculated by the straight-line method principally over three to five years.

j. 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.

The Company acquired 100% of the shares of ACGI INTERNATIONAL SDN. BHD. on January 4, 2019, and accounted for this acquisition by the purchase method of accounting (see Note 16).

k. Retirement Benefits and Pension Plans — The Company and certain consolidated subsidiaries have funded defined benefit pension plans, defined contribution pension plans, and advance payment systems, which cover substantially all of their 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 straight-line 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. Actuarial gains and losses are mainly amortized by the declining-balance method over seven years within the average remaining service period, and past service costs are mainly amortized by the straight-line method over seven years within the average remaining service period.

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

m. Leases — In March 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard permits leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee as operating lease transactions.

n. 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.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were classified as current assets, investments and other assets, and deferred tax liabilities were classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥511 million and deferred tax liabilities of ¥2,488 million 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, respectively, in the accompanying consolidated balance sheet.

o. 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 as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

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

q. Derivatives and Hedging Activities — The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

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

Diluted net income per share is not disclosed because no dilutive securities exist.

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

On October 1, 2017, the Company effected a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on August 23, 2017.

s. New Accounting Pronouncements:

(a)The Company and its domestic consolidated subsidiaries

Revenue recognition – 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 April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

(b)Foreign consolidated subsidiaries

Accounting Standard	Overview	Date of Application
IFRS 16 Leases	Revised Accounting for Leases	Annual periods beginning on or after January 1, 2019

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. ACCOUNTING CHANGE

Revenue from Contracts with Customers — The consolidated foreign subsidiaries apply IFRS 15, "Revenue from Contracts with Customers," for annual periods beginning on or after January 1, 2018.

The effects of this accounting policy change for 2019 were as follows: Consolidated statement of income for the year ended March 31, 2019 — "sales" decreased by ¥2,542 million, "selling, general, and administrative expenses" decreased by ¥2,542 million.

In addition, the cumulative effect of initially applying this accounting policy was recognized at the date of initial application.

The effect on segment information is disclosed in "Segment information."

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen	
	2019	2018
Short-term investments:		
Certificates of deposit		¥ 13,300
Commercial paper other than cash equivalents		4,499
Time deposits other than cash equivalents	¥ 3,562	4,503
Total	¥ 3,562	¥ 22,302
Investment securities:		
Marketable equity securities	¥ 11,303	¥ 11,313
Nonmarketable equity securities	4	4
Total	¥ 11,307	¥ 11,317

Information regarding securities classified as available for sale as of March 31, 2019 and 2018 is as follows:

	Millions of Yen			
March 31, 2019	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,514	¥ 7,789	¥ 0	¥ 11,303

	Millions of Yen			
March 31, 2018	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,505	¥ 7,808	¥ (0)	¥ 11,313
Debt securities	4,499		(0)	4,499
Other	13,300			13,300

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Equity securities	¥ 4	¥ 4

There were no sales of available-for-sale securities for the years ended March 31, 2019 and 2018.

5. INVENTORIES

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

	Millions of yen	
	2019	2018
Merchandise	¥ 3,666	¥ 2,317
Finished products	6,363	5,522
Work in process	479	434
Raw materials and supplies	3,010	2,488
Total	¥ 13,518	¥ 10,761

6. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2019 and 2018, consisted of the credit facilities from banks. The annual interest rates applicable to the short-term bank loans ranged from 5.55% to 5.80% and 2.88% to 3.15% in Philippine pesos at March 31, 2019 and 2018, respectively. The loan proceeds were mainly utilized to support financing of working capital in the Philippines.

7. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries have funded defined benefit pension plans, defined contribution pension plans, and advance payment systems, which cover substantially all of their employees, and also unfunded defined benefit pension plans.

The funded defined benefit pension plans provide a lump-sum severance payment or annuity payments determined based on the salary at the time of termination, years of service, and certain other factors for employees who terminated their employment.

The unfunded defined benefit pension plans provide premium lump-sum severance pay for employees who meet the prescribed requirements.

The Company and its domestic consolidated subsidiaries participate in a contributory multiemployer pension plan (the "Plan"), which is accounted for in the same way as defined contribution pension plans.

In connection with the enforcement of the Defined Benefit Corporate Pension Law, the Company and its domestic consolidated subsidiaries applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion, which would result in the transfer of the pension obligations, and applied for transfer of the substitutional portion of past pension obligations to the government, and obtained approval by the Ministry of Health, Labour and Welfare on March 1, 2017. The Company and its domestic consolidated subsidiaries are transitioning from welfare pension funds to corporate pension funds.

Certain foreign consolidated subsidiaries have funded defined benefit pension plans, unfunded benefit pension plans, and defined contribution pension plans.

Defined Benefit Pension Plans

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

	Millions of Yen	
	2019	2018
Balance at beginning of year	¥ 5,472	¥ 4,925
Current service cost	346	317
Interest cost	172	166
Actuarial (gain) loss	(209)	197
Past service cost	2	91
Benefits paid	(213)	(152)
Increase by a change in scope of consolidation	17	
Foreign currency translation	(197)	(78)
Other	7	6
Balance at end of year	¥ 5,397	¥ 5,472

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

	Millions of Yen	
	2019	2018
Balance at beginning of year	¥ 3,150	¥ 2,987
Expected return on plan assets	80	78
Actuarial gain (loss)	(21)	17
Contributions from the employer	146	149
Benefits paid	(114)	(74)
Other	(23)	(7)
Balance at end of year	¥ 3,218	¥ 3,150

(3) Reconciliations between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Funded defined benefit obligations	¥ 3,416	¥ 3,352
Plan assets	(3,218)	(3,150)
	198	202
Unfunded defined benefit obligations	1,981	2,119
Net liability arising from defined benefit obligations	¥ 2,179	¥ 2,321

	Millions of Yen	
	2019	2018
Liability for retirement benefits	¥ 2,179	¥ 2,321
Asset for retirement benefits	0	
Net liability arising from defined benefit obligations	¥ 2,179	¥ 2,321

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

	Millions of Yen	
	2019	2018
Service cost	¥ 346	¥ 317
Interest cost	172	166
Expected return on plan assets	(80)	(78)
Recognized actuarial loss	52	58
Amortization of past service cost	0	68
Net periodic retirement benefit costs	¥ 490	¥ 531

(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	
	2019	2018
Prior service cost	¥ 1	¥ 23
Actuarial (gain) loss	(281)	107
Total	¥ (280)	¥ 130

(6) Amounts recognized in accumulated 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	
	2019	2018
Unrecognized prior service cost	¥ 2	
Unrecognized actuarial loss	303	¥ 593
Total	¥ 305	¥ 593

(7) Plan assets

(a) Components of plan assets

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

	2019	2018
Debt investments	46%	40%
Equity investments	30	29
General accounts	14	14
Cash and cash equivalents	7	7
Other	3	10
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 by 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 mainly set forth as follows:

	2019	2018
Discount rate	0.4%	0.5%
Expected rate of return on plan assets	2.0%	2.0%
Expected salary/wage increment	2.1%	2.2%

Defined Contribution Pension Plans

The Company and its consolidated subsidiaries recognized a defined contribution cost of ¥113 million and ¥108 million for the years ended March 31, 2019 and 2018, respectively.

Multiemployer Pension Plan

The Company and its domestic consolidated subsidiaries participate in the Plan covering substantially all of their employees, for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by it and its domestic consolidated subsidiaries. Therefore, it is accounted for using the same method as a defined contribution plan.

Contributions to the Plan, which are accounted for using the same method as a defined contribution plan, were ¥192 million and ¥187 million for the years ended March 31, 2019 and 2018, respectively.

The financial statements of the Plan as of March 31, 2018 and 2017 were as follows:
(1) The funded status of the Plan as of March 31, 2018 and 2017 was as follows:

	Millions of Yen	
	2018	2017
Plan assets	¥ 12,422	¥ 10,658
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(18,605)	(18,633)
Net balance	¥ (6,183)	¥ (7,975)

The net balance above was mainly caused by past service cost of ¥9,768 million and ¥10,012 million for the years ended March 31, 2019 and 2018, respectively. Past service cost under the Plan was amortized on a straight-line basis over 11 years and over 12 years for the years ended March 31, 2019 and 2018, respectively. The special contributions of ¥131 million and ¥128 million for the years ended March 31, 2019 and 2018, respectively, which are utilized for such amortization, were expensed in the consolidated statements of income of the Group.

(2) The contribution ratios of the Group in the Plan for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
The contribution ratio of the Group in the Plan	13.0%	13.2%

The ratios above do not represent the actual actuarial liability ratio of the Group.

8. 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. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if companies have prescribed so in their articles of incorporation. The Company meets all of the above criteria. 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 companies 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 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 amount of 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.

On October 1, 2017, the Company effected a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on August 23, 2017.

9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.58% and 30.81% each for the years ended March 31, 2019 and 2018. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

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

	Millions of Yen	
	2019	2018
Deferred tax assets:		
Tax loss carryforwards	¥ 192	¥ 271
Accrued bonuses	280	265
Enterprise tax	69	76
Inventories	153	138
Liability for retirement benefits	591	639
Long-term liabilities	80	90
Property, plant, and equipment	34	32
Other	641	518
Total of tax loss carryforwards and temporary differences	2,040	2,029
Less valuation allowance for tax loss carryforwards	(192)	
Less valuation allowance for temporary differences	(73)	
Total valuation allowance	(265)	(297)
Deferred tax assets	1,775	1,732
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	2,382	2,387
Intangible assets associated with business combinations	690	
Other	680	525
Deferred tax liabilities	3,752	2,912
Net deferred tax liabilities	¥ (1,977)	¥ (1,180)

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

	Millions of Yen						
March 31, 2019	1 Year(s) or Less	After 1 Year(s) 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	¥ 14	¥ 0	¥ 25	¥ 41	¥ 61	¥ 51	¥ 192
Less valuation allowances for tax loss carryforwards	(14)	(0)	(25)	(41)	(61)	(51)	(192)
Net deferred tax assets relating to tax loss carryforwards							

Valuation allowance for tax loss carryforwards is disclosed separately in the valuation allowance of this note in accordance with ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" beginning with the fiscal year ended March 31, 2019. However, valuation allowance for tax loss carryforwards for the year ended March 31, 2018 is not disclosed separately in accordance with Paragraph 7 of ASBJ Statement No. 28.

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

	2018
Normal effective statutory tax rate	30.81%
Expenses not deductible for income tax purposes	1.80
Dividends and incomes not taxable for income tax purpose	(0.36)
Difference in subsidiaries' tax rates	(1.97)
Tax credit for research and development costs and others	(3.08)
Change in valuation allowance	0.11
Capital levy on inhabitant tax	0.24
Other – net	0.05
Actual effective tax rate	27.60%

* Information for the year ended March 31, 2019 was not provided because the difference between the statutory tax rate and the effective income tax rate was less than 5% of the statutory tax rate.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2019 and 2018 were ¥1,827 million and ¥1,814 million, respectively.

11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2019 and 2018 were ¥5,156 million and ¥5,208 million, respectively.

12. LEASES

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

Total rental expenses for the years ended March 31, 2019 and 2018 were ¥1,647 million and ¥1,535 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Due within one year	¥ 35	¥ 144
Due after one year	130	
Total	¥ 165	¥ 144

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments to invest cash surplus amounts in low-risk and highly liquid financial instruments. Derivatives are used to achieve higher yields within specified limits on the amounts, but not for speculative purposes.

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Short-term investments and investment securities, mainly debt securities with maturities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than three months.

Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

(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 on a regular basis of payment terms and balances of major customers by the sales planning division to identify the default risk of customers in the early stages.

With respect to financial investments with maturities, since the Group manages its exposure to credit risk by limiting its funding to high-credit-rating bonds in accordance with its internal guidelines, the credit risk associated with this investment is not considered to be significant.

Market risk management

With respect to foreign currency trade receivables and payables, the Group monitors on a regular basis foreign exchange risk recognized monthly for each currency.

Short-term investments and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis, and the securities, except for government bonds, are managed by reviewing the condition continuously in view of the market trends and relationships of business partners.

Derivatives have been utilized in accordance with internal policies, which regulate authorization and credit limit amounts. The conditions and results of such transactions are regularly communicated to the Management Committee.

Liquidity risk management

The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning prepared by the financial management division based on each department's reports.

(4) Concentration of Credit Risk

As of March 31, 2019, 47.8% of total receivables is from two major customers of the Group.

(5) 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.

(a) Fair value of financial instruments

March 31, 2019	Carrying Amount (Millions of Yen)	Fair Value (Millions of Yen)
Cash and cash equivalents	¥ 22,780	¥ 22,780
Short-term investments and investment securities	14,865	14,865
Receivables	11,829	11,829
Total	¥ 49,474	¥ 49,474
Short-term bank loans	¥ 106	¥ 106
Payables	7,354	7,354
Accrued income taxes	1,119	1,119
Total	¥ 8,579	¥ 8,579

March 31, 2018	Carrying Amount (Millions of Yen)	Fair Value (Millions of Yen)
Cash and cash equivalents	¥ 13,640	¥ 13,640
Short-term investments and investment securities	33,615	33,615
Receivables	10,678	10,678
Total	¥ 57,933	¥ 57,933
Short-term bank loans	¥ 272	¥ 272
Payables	7,380	7,380
Accrued income taxes	1,184	1,184
Total	¥ 8,836	¥ 8,836

Cash and cash equivalents

The carrying amounts of cash and cash equivalents approximate fair value because of their short maturities.

Short-term investments and investment securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institutions for certain debt instruments. The carrying amounts of short-term investments and investment securities are equal to the fair values. Fair value information for short-term investments and investment securities by classification is included in Note 4.

Receivables, short-term bank loans, payables, and accrued income taxes

The carrying amounts of receivables, short-term bank loans, payables, and accrued income taxes approximate fair value because of their short maturities.

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

	2019 (Millions of Yen)	2018 (Millions of Yen)
Investments in equity instruments that do not have a quoted market price in an active market	¥ 4	¥ 4

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

March 31, 2019	Due in 1 Year or Less (Millions of Yen)
Cash and cash equivalents	¥ 22,780
Short-term investments and investment securities:	
Other	3,562
Receivables	11,829
Total	¥ 38,171

March 31, 2018	Due in 1 Year or Less (Millions of Yen)
Cash and cash equivalents	¥ 13,640
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	4,499
Other	17,803
Receivables	10,678
Total	¥ 46,620

14. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen	
	2019	2018
Unrealized gain (loss) on available-for-sale securities:		
Gains (losses) arising during the year	¥ (18)	¥ 3,776
Reclassification adjustments to profit or loss		
Amount before income tax effect	(18)	3,776
Income tax effect	6	(1,155)
Total	¥ (12)	¥ 2,621
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year	¥ (191)	¥
Reclassification adjustments to profit or loss	133	
Amount before income tax effect	(58)	
Income tax effect	58	
Total	¥	¥
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (1,762)	¥ (337)
Total	¥ (1,762)	¥ (337)
Defined retirement benefit plans:		
Adjustments arising during the year	¥ 228	¥ (255)
Reclassification adjustments to profit or loss	52	125
Amount before income tax effect	280	(130)
Income tax effect	(57)	34
Total	¥ 223	¥ (96)
Share of other comprehensive loss in associates:		
Gains arising during the year	¥ (15)	¥ (44)
Total	¥ (15)	¥ (44)
Total other comprehensive (loss) income	¥ (1,566)	¥ 2,144

15. SUPPLEMENTAL CASH FLOW INFORMATION

The Group acquired ACG INTERNATIONAL SDN. BHD. (ACGI Co.) during the year ended March 31, 2019. Reconciliation between cash paid for the equity interest of ACGI Co. and payment for the acquisition of the newly consolidated subsidiaries, net of cash and cash equivalents acquired, was as follows:

	Millions of Yen
	2019
Current assets	¥ 2,113
Property and equipment and investments and other assets	2,829
Goodwill	3,408
Current liabilities assumed	(1,021)
Long-term liabilities	(758)
Foreign currency translation adjustments	34
Cash paid for the capital	6,605
Cash and cash equivalents of ACGI Co.	(114)
Net cash paid for the capital	6,491

16. BUSINESS COMBINATION

(1) Outline of the Business Combination

(a) Name of acquired company and its business outline

Name of acquired company: ACG INTERNATIONAL SDN. BHD.

Business outline: Sale and develop of cosmetic products

(b) Major reason for the business combination

At present, the Company is actively developing its business in Japan and overseas with the aim of realizing its vision for 2027 ("VISION 2027"). Specifically, the Company is developing its business in accordance with its vision policies to "Leverage Asia's economic growth to evolve into a truly global company" and "Display greater Dedication to Service (Oyakudachi) in the men's business segment and invest aggressively to expand its women's business segment."

ACGI Co. is a company that develops and sells cosmetics. "SILKYGIRL," as its core brand is, one of the top makeup brands chosen by the young generation in Malaysia and other Southeast Asian countries. SILKYGIRL is a popular brand that adapts to global cosmetic trends quickly and meets the needs of fashion-conscious consumers in Southeast Asia. In Malaysia, SILKYGIRL is highly popular among women in their teens and 20s.

Through the acquisition of ACGI Co., the Company will enhance the Group presence in Southeast Asia.

(c) Date of business combination
January 4, 2019
(d) Legal form of business combination
Share acquisition in consideration for cash
(e) Name of the company after the combination
No change
(f) Ratio of voting rights acquired
100%
(g) Basis for determining the acquirer
It is based on the fact that the Company acquired 100% of voting rights by means of share acquisition in consideration for cash.

(2) The Period for Which the Operations of the Acquired Company Are Included in the Consolidated Financial Statements

The balance sheet of the acquired company is included in the consolidated balance sheet as of March 31, 2019; however, the operations of the acquired company are not included in the consolidated statement of income for the year ended March 31, 2019.

(3) Acquisition Cost of the Acquired Company and Related Details of Each Class of Consideration

	Millions of U.S. Dollars	Millions of Yen
Consideration for acquisition – Cash	58	¥ 6,604

(4) Major acquisition-related costs

Advisory fees and commissions: ¥382 million

(5) Amount of Goodwill Incurred, Reasons for the Goodwill Incurred, and the Method and Period of Amortization

(a) Amount of goodwill incurred
MYR 127 million (¥3,408 million)
(b) Reasons for the goodwill incurred
Goodwill is incurred from expected excess earnings power in the future arising from further business development.
(c) Method and period of amortization
Goodwill is amortized on a straight-line basis over 15 years.

(6) The Assets Acquired and the Liabilities Assumed at the Acquisition Date Are as Follows:

	Millions of MYR	Millions of Yen
Current assets	79	¥ 2,112
Other assets	106	2,829
Total assets acquired	185	¥ 4,941
Current liabilities	38	¥ 1,020
Long-term liabilities	28	759
Total liabilities assumed	66	¥ 1,779

(7) Amount of Intangibles and the Period of Amortization (Weighted-average) Are as Follows:

Type	Millions of MYR	Millions of Yen	Period of Amortization (Weighted-average)
Trademarks	39	¥ 1,040	15
Customer-related assets	61	1,626	15
Total	100	¥ 2,666	

(8) Pro Forma Information (Unaudited)

If this business combination had been completed as of April 1, 2018, the beginning of the current fiscal year, the effects on the consolidated statement of income for the year ended March 31, 2019, would be as follows:

	Millions of MYR	Millions of Yen
Sales	119	¥ 3,271
Operating income	17	480
Income before income taxes	16	462
Net income attributable to owners of the parent	11	325
	MYR	Yen
Per share of common stock	0.25	¥ 6.96

(Effect of estimated amount)
The effect of the estimated amount is the difference between sales and income on the consolidated statement of income of the acquired company.
If this business combination had been completed as of April 1, 2019, the beginning the current fiscal year.
This note is not audited.

17. SUBSEQUENT EVENTS

(1) Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2019 is expected to be approved at the Company's annual general shareholders' meeting to be held on June 21, 2019 (the "General Meeting of Shareholders"):

	Millions of yen
Year-end cash dividends, ¥30 per share	¥ 1,404

(2) Purchase of Treasury Stock

The Company announced the purchase of treasury stock, at the meeting of its Board of Directors held on May 14, 2019, in accordance with Article 156 of the Companies Act, as applied pursuant to Article 165(3) of the Companies Act.

1. Reasons for purchase of treasury stock
   The Company purchases treasury stock to raise capital efficiency and implores profit returns to stockholders.

2. Overview of the purchase of treasury stock
   (a) Type of stock
      Common stock
   (b) Amount of stock
      2,000,000 shares (upper limit)
      The percentage of issued stock without treasury stock: 4.3%
   (c) Total of purchase cost
      ¥5,000 million (upper limit)
   (d) Period of purchase
      From May 15, 2019 to November 29, 2019

3. The status of acquisition of treasury stock until May 31, 2019
   (a) Type of stock acquired
      Common stock
   (b) Number of stock acquired
      179,800 shares
   (c) The amount of acquisition
      ¥497 million
   (d) Period of acquisition
      From May 15, 2019 to May 31, 2019
   (e) Method of acquisition
      Market purchase of Tokyo Stock Exchange

18. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available, and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group mainly produces and sells cosmetic products. The Company and its domestic consolidated subsidiaries oversee activities in Japan; PT Mandom Indonesia Tbk oversees activities in Indonesia; and other overseas subsidiaries, including Malaysia, Thailand, and China, oversee activities in each of their respective countries. Each overseas subsidiary is an independent management unit, which develops product strategies and business activities in its respective region. Therefore, the Group consists of the geographical segments based on production and sales structures, which are identified as Japan, Indonesia, and other foreign countries ("Other").

(2) Methods of Measurement for the Amount of Sales, Profit, 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."

As described in the accounting change section, the consolidated foreign subsidiaries apply IFRS 15, "Revenue from Contracts with Customers." As a result, due to the effects of applying the accounting standard, sales to external customers of Indonesia segment decreased by ¥406 million, and sales to external customers of other segment decreased by ¥2,135 million. There is no impact on segment profit.

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

Millions of yen

	2019					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations*	Consolidated
Sales:						
Sales to external customers	¥ 48,442	¥ 17,045	¥ 13,510	¥ 78,997		¥ 78,997
Intersegment sales or transfers	5,009	3,209	403	8,621	¥ (8,621)	
Total	¥ 53,451	¥ 20,254	¥ 13,913	¥ 87,618	¥ (8,621)	¥ 78,997
Segment profit**	¥ 4,248	¥ 682	¥ 2,206	¥ 7,136		¥ 7,136
Assets	54,260	18,020	21,122	93,402		93,402
Other:						
Depreciation	2,292	1,195	97	3,584		3,584
Investments in an associated company under the equity method			809	809		809
Increase in property, plant, and equipment and intangible assets	3,005	1,425	6,337	10,767		10,767

Millions of yen

	2018					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations*	Consolidated
Sales:						
Sales to external customers	¥ 47,740	¥ 19,616	¥ 14,031	¥ 81,387		¥ 81,387
Intersegment sales or transfers	4,633	3,118	367	8,118	¥ (8,118)	
Total	¥ 52,373	¥ 22,734	¥ 14,398	¥ 89,505	¥ (8,118)	¥ 81,387
Segment profit**	¥ 5,526	¥ 1,182	¥ 1,750	¥ 8,458		¥ 8,458
Assets	62,110	19,119	11,967	93,196		93,196
Other:						
Depreciation	2,178	1,067	70	3,315		3,315
Investments in an associated company under the equity method			671	671		671
Increase in property, plant, and equipment and intangible assets	2,252	1,550	152	3,954		3,954

Notes: *"Reconciliations" represent eliminations of intersegment sales or transfers.
**"Segment profit" represents operating income included in the consolidated statement of income.

(4) Information about Products and Services

Millions of yen

	2019			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 49,581	¥ 22,433	¥ 6,984	¥ 78,998

Millions of yen

	2018			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 51,147	¥ 23,083	¥ 7,157	¥ 81,387

(5) Information about Geographical Areas

(a) Sales

Millions of yen

2019				2018			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 47,557	¥ 14,822	¥ 16,619	¥ 78,998	¥ 46,817	¥ 17,354	¥ 17,216	¥ 81,387

Note: Sales are classified by country or region based on the locations of customers.

(b) Property, plant, and equipment

Millions of yen

2019				2018			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 10,713	¥ 6,931	¥ 496	¥ 18,140	¥ 10,646	¥ 7,287	¥ 335	¥ 18,268

(6) Information about Major Customers

Millions of yen

	2019	
Name of Customer	Sales	Related Segment Name
PALTAC Corporation	¥ 26,713	Japan
PT Asia Paramita Indah	15,185	Indonesia

Millions of yen

	2018	
Name of Customer	Sales	Related Segment Name
PALTAC Corporation	¥ 25,610	Japan
PT Asia Paramita Indah	17,319	Indonesia

(7) Information about Goodwill

Millions of Yen

	2019			
	Japan	Indonesia	Other	Total
Amortization of goodwil Goodwill at March 31, 2019	¥	¥	¥ 3,408	¥ 3,408

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MANDOM CORPORATION:

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

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 MANDOM CORPORATION and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

June 13, 2019

Member of
Deloitte Touche Tohmatsu Limited